



WELFARE- TO-WORK PROGRAM BENEFITS AND COSTS

A Synthesis of Research

David Greenberg
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February 2009

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BUILDING KNOWLEDGE
TO IMPROVE SOCIAL POLICY
■

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Overview

Over the past two decades, federal and state policymakers have dramatically reshaped the nation's system of cash welfare assistance for low-income families. During this period, there has been considerable variation from state to state in approaches to welfare reform, which are often collectively referred to as "welfare-to-work programs." To help states assess various program approaches in an informed way, this report draws on an extraordinary body of evidence: results from 28 benefit-cost studies of welfare-to-work programs based on random assignment evaluation designs. The synthesis addresses such questions as: Which welfare reform program approaches result in positive payoffs on the investments made in them? Which approaches make participants better off financially? Which approaches improve the government's budgetary position? The report thus presents findings that can aid policymakers and program developers in assessing the often complex trade-offs associated with balancing the desire to ensure the poor of adequate incomes and yet encourage self-sufficiency.

Different types of welfare-to-work programs emphasize different goals. Whether a program is judged as a success in terms of its benefit-cost performance depends on what policymakers were attempting to accomplish in that program. The following policy conclusions are suggested by this synthesis:

- If a chief goal is to increase participants' income, then programs that provide individuals with financial incentives or earnings supplements intended to encourage work appear to best achieve this goal. While beneficial for participants, earnings supplement programs tended to result in a net cost for the government. Participants, however, often gained more than a dollar for every dollar the government spent, making this type of program an efficient mechanism for transferring income to poor families.
- If a chief goal is to reduce government expenditures, then programs that require individuals to look for jobs immediately and that assign other activities if work is not found are relevant strategies. These programs tended to be beneficial for the government budget (and to be less expensive than the type of program described next) but to result either in small benefits or in net costs for participants.
- If a chief goal is to balance reducing welfare expenditures with increasing participants' income, then programs that require individuals to participate initially either in an education or training activity or in a job search activity can meet this goal. This type of program, when targeted to both short-term and long-term welfare recipients, was beneficial for both participants and the government's budget.
- Mandatory programs that require individuals to participate in General Educational Development (GED) completion and Adult Basic Education prior to job search do not appear to achieve the goal they emphasize: increasing the income of participants. Nor do they achieve the goal of saving government money.
- Some mandatory work experience programs — which assign individuals to unpaid jobs, often following a period of job search — resulted in limited benefits for participants but did provide valuable goods and services for the general public. They did not consistently reduce government costs, however.

These studies measured only benefits and costs that are reliably expressed in dollars. Other benefits and costs that are not easily expressed in dollars — for example, changes in children's school performance or well-being — were not estimated and, thus, are not incorporated into the benefit-cost analyses. Overall assessments of program types, however, also should take into account noneconomic considerations when determining whether a program achieves policymakers' and society's goals.

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Preface

This report synthesizes findings from an extraordinary body of evidence: benefit-cost studies conducted by MDRC of 28 welfare-to-work programs, run in 11 states and two Canadian provinces, and involving over 100,000 research sample members. These programs were launched prior to the passage of the landmark federal legislation in 1996 that established the Temporary Assistance for Needy Families (TANF) program. The findings from them, however, remain highly relevant today because they provide estimates of the benefits and costs of different employment strategies for single-parent welfare recipients. Moreover, the programs were run at fairly large scale, and all were evaluated using random assignment research designs.

Benefit-cost analysis is one way that policymakers and program administrators can assess a central but complex trade-off of welfare reform: how to ensure that poor families have adequate income while at the same time encouraging self-sufficiency. Whether a program is judged as a success often depends on what policymakers and program administrators were trying to accomplish in that program. Goals can include reducing families' dependency on government assistance and thus reducing government costs, increasing the total income of welfare recipients, or a mixture of these two aims. Welfare-to-work programs can seek to attain either or both of these objectives in different ways — by stressing participants' obligations to participate in work-related activities or in work itself in exchange for welfare benefits, by emphasizing investment in the human capital development of program participants through education and training, by supplementing individuals' earnings when they go to work, and by setting time limits on eligibility for welfare. Achieving one of these goals, however, often comes at the expense of achieving the others, and herein lies the advantage of benefit-cost analysis: It can examine programs' effects on government budgets and on participants' incomes separately, thus addressing this trade-off directly.

The key contribution of this synthesis is the specification of this trade-off for different types of welfare-to-work programs. Consider, for example, programs that provide individuals with financial incentives that are intended to encourage work. Of the six types of programs examined in this report, such programs are best able to increase participants' income; financial incentive programs, however, also result in a net cost for government. As another, contrasting example, programs that require individuals to look for jobs immediately tend to be beneficial for government budgets but result either in only small benefits or in net costs for participants.

As federal and state leaders seek strategies to move more welfare recipients into work at a time when the deteriorating economy is likely to increase the welfare rolls, it is hoped that this crosscutting research synthesis will provide them with some of the evidence that they need to improve programs for low-income families.

Gordon L. Berlin
President

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This synthesis report would not have been possible without the cooperation, commitment, and hard work of a wide range of people involved in the welfare-to-work programs and evaluations that are included herein. The analyses presented are built on a firm foundation of rigorous research, namely, dozens of evaluations of welfare reform initiatives conducted by MDRC. Critical roles were played by the state and local administrators and staff who participated in those evaluations and by the U.S. Department of Health and Human Services (HHS), the key funder of most of the studies analyzed.

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Finally, we extend our deep appreciation to the thousands of research sample members whose program experiences have contributed to the policy world's knowledge of the challenges faced by recipients of Temporary Assistance for Needy Families (TANF) as they strive to improve their lives and the lives of their children.

The Authors

Executive Summary

Starting with the English Poor Laws, policymakers have debated whether providing aid to the poor — “cash benefits,” in the modern age — helps or harms people’s long-term self-sufficiency. The United States has attempted to resolve this dependence/independence conundrum in two ways: (1) by establishing a quid pro quo around its basic cash welfare programs — the government will provide benefits if recipients agree in return to participate in job search, workfare, or education or training programs designed to prepare them for work; and (2) by building a safety net around work, as is done through earnings supplements, such as the Earned Income Tax Credit (EITC).

Over the past two decades, in an effort to address this conundrum, federal and state policymakers have dramatically reshaped the nation’s system of cash welfare assistance for low-income families. Through national legislation and state-initiated reform and experimentation, policymakers have sought to transform the Aid to Families with Dependent Children (AFDC) program, now the Temporary Assistance for Needy Families (TANF) program. During this period, there has been considerable variation from state to state in approaches to welfare reform, which are often collectively referred to as “welfare-to-work programs.” Nevertheless, almost all welfare-to-work programs have encouraged welfare recipients to work more and, as a result, to reduce their families’ long-term reliance on welfare benefits. These goals were given renewed emphasis in the provisions of the Deficit Reduction Act (DRA) of 2005, which reauthorized the TANF program in early 2006. At the same time, the EITC was greatly expanded during the 1990s, and many state welfare programs have recently incorporated financial incentives that supplement the incomes of employed TANF recipients.

For a policymaker or program administrator trying to decide the most cost-effective way to resolve the dilemma of ensuring families’ adequate income while encouraging work and reducing dependency, one possible option is to maximize one goal while ignoring the other. That is, he or she can either stress reducing dependency (and thus government cost) or, alternatively, emphasize increasing the total income of welfare recipients. Maximizing one particular goal (for example, reducing government expenditures) often comes at the expense of making progress on other goals (for example, making program participants better off financially). Most public officials, however, would like to achieve both overall goals, that is, to reduce dependency while at the same time increasing participant income.

Furthermore, welfare-to-work programs can seek to attain either or both of these goals in different ways — by stressing participants’ obligations to participate in work-related activities or work itself in exchange for their welfare benefits, by emphasizing investment in the human capital development of program participants through education and training, by supple-

menting individuals' earnings when they go to work, and by setting time limits on individuals' eligibility for welfare.

To help states assess these trade-offs in an informed way, this report draws on an extraordinary body of evidence from benefit-cost studies of welfare-to-work programs that are based on random assignment evaluation designs. The report addresses such questions as: Which welfare reform program approaches yield a positive return on investments made, from the perspective of program participants and from the perspective of government budgets? Which approaches make program participants better off financially? In which approaches do benefits exceed costs from the government's point of view? The last two of these questions coincide with the dilemma discussed above: the trade-off between reducing dependency on government benefits and ensuring adequate incomes for the poor. Because the benefit-cost studies examined program effects from the distinct perspectives of government budgets and participants' incomes separately, they address this trade-off directly.

The report synthesizes findings from benefit-cost studies conducted by MDRC of 28 welfare-to-work programs, which were run in 11 states and two Canadian provinces and involved over 100,000 research sample members. Most of these programs were operated at fairly large scale in the welfare offices involved in their evaluation. Although the programs were launched prior to passage of the landmark legislation in 1996 that established TANF, their findings remain highly relevant today because they provide estimates of the benefits and costs of different employment strategies for single-parent welfare recipients.

It is particularly noteworthy that all 28 programs were evaluated using a random assignment research design, which allows the effects of the programs to be disentangled from the effects of other factors, such as the economy. In this type of research design, often referred to as the "gold standard" of research designs, individuals who meet programs' eligibility requirements are randomly assigned by a lottery-like process to either a program group or a control group. Those in the program group are eligible for the program under study; those in the control group are not. Individuals in both groups are followed over time, and information is collected on their employment, earnings, welfare receipt, and other outcomes of interest. The random assignment process ensures that when individuals entered each study, there were no systematic differences in their characteristics, measured or unmeasured (for example, motivation), between the research groups. Thus, any differences between the groups that emerge after random assignment — in average earnings or welfare payments, as examples — can be attributed to the programs under study.

The differences in post-random assignment outcomes between the research groups — known as *impacts* — represent programs' net benefits or net costs, depending on the perspective being assessed. A decrease in the program group's average welfare payments relative to the

control group's, for example, represents a net benefit to government budgets, since the government pays out less, but it represents a net cost to program participants because they receive less from the government. Similarly, an increase in taxes paid is a net gain to government budgets but a net loss to program participants. In contrast, an increase in program participants' take-home earnings represents a benefit to them but has no effect — positive or negative — on government budgets (unless tax revenue increases). Finally, operating the programs is a cost shouldered by government but has no effect on the economic position of program participants. To determine who gains and who loses from different types of employment strategies for single-parent welfare recipients, benefits and costs are summed separately from the participant and the government perspectives in this synthesis. Inasmuch as these benefits and costs are based on a random assignment research design, they are especially reliable and thus valuable for policy purposes.

Findings in Brief

Each of the 28 programs can be viewed as a test of one of six types of welfare reform approaches described in Box ES.1: mandatory work experience programs, mandatory job-search-first programs, mandatory education-first programs, mandatory mixed-initial-activity programs, earnings supplement programs, and time-limit-mix programs. Some programs (mandatory work experience and mandatory job-search-first programs) tend to place greater emphasis on reducing the government's budget than on increasing the incomes of welfare recipients, while others (mandatory education-first and earnings supplement programs) tend to have the opposite focus. Still other programs (mixed-initial-activity and time-limit-mix programs) place more or less equal emphasis on both goals.

The analyses presented in this synthesis suggest that many welfare-to-work programs are successful in either making program participants better off financially or controlling government costs but that there are often trade-offs between these goals. The key findings are briefly previewed here and are discussed in greater detail below in this Executive Summary.

- Earnings supplement programs — ones that provide individuals with financial incentives or earnings supplements intended to encourage work — are an efficient mechanism for transferring income to low-income families because participants gain more than a dollar for every dollar the government spends.

Mandatory mixed-initial-activity programs that require individuals to participate initially either in an education or training activity or in a job search activity, depending on their apparent needs, and that enroll both short-term

Box ES.1

Descriptions of Program Types

Mandatory work experience programs: Often following a period of job search, individuals in these programs are assigned to unpaid jobs, which are usually located at government agencies or nonprofit institutions.

Mandatory job-search-first programs: Individuals are assigned to job search activities upon program entry. Other types of assigned activities can follow for individuals who do not find jobs. All five of the programs analyzed in this category encouraged quick entry into work and strongly enforced a continuous participation mandate.

Mandatory education-first programs: Individuals are assigned to education activities prior to job search. The most common of these activities were GED preparation classes or Adult Basic Education (ABE). In some programs, individuals could also participate in English as a Second Language (ESL), vocational training, or employment training classes. Typically, job search assignments follow the completion of courses of study.

Mandatory mixed-initial-activity programs: Individuals are assigned to participate initially in *either* an education or training activity *or* in a job search activity, depending on an assessment of their needs. Other assigned activities follow these initial activities if individuals remain unemployed.

Earnings supplement programs: Individuals are provided with financial incentives intended to encourage work. These incentives supplemented their incomes while at work.

Time-limit-mix programs: These programs require individuals to participate in employment-orientated activities, provide them with financial incentives, and limit the amount of time they remain eligible for welfare benefits.

and long-term welfare recipients are worthy of consideration by states developing welfare-to-work programs. They can be cost-beneficial for both the government and those required to participate in them.

- Mandatory job-search-first programs — ones that require individuals to look for jobs immediately and then assign other activities if work is not found — are worthy of consideration when governments want to reduce their expenditures. These programs tend to be less expensive than mandatory mixed-initial-activity programs and, thus, to have a more salutary effect on government budgets. However, they are unlikely to increase the incomes of those required to participate in them.

- Mandatory work experience programs — ones that assign individuals to unpaid jobs — are worthy of consideration as a component of a comprehensive welfare-to-work program. Implemented for those who, after a period of time, cannot find unsubsidized jobs through job search, these programs are not costly to the government and do little harm to participants. Moreover, society as a whole can reap some benefit from the output produced at work experience jobs.
- The sorts of mandatory education-first programs that have been tested experimentally — ones that require individuals to participate in General Educational Development (GED) completion and Adult Basic Education prior to job search — do not appear to be cost-beneficial. They do little to either increase the incomes of participants or save the government money.
- Only three time-limit-mix programs — ones that require individuals to participate in employment-oriented activities, provide financial incentives for work, and limit the amount of time that individuals remain eligible for welfare benefits — are included in this synthesis, and they differ considerably from one another. As a result, it is difficult to draw firm conclusions about them. While all three appear to have been beneficial for participants, two resulted in substantial net losses from the government budget perspective.

These findings provide reliable evidence on the financial consequences of different types of programs. As discussed below, however, they also underscore the importance of taking the policy goals of programs into account when assessing various welfare-to-work approaches.

Methodology: Conducting Benefit-Cost Analyses of Welfare-to-Work Programs

All the studies included in this synthesis used a similar benefit-cost methodology, which involved estimating costs and benefits over a five-year period. This five-year period began at the point at which individuals eligible for the programs were randomly assigned to either a program group (whose members could take part in the program) or a control group (whose members were not eligible for the program). The general approach was to focus on effects that are naturally expressed in dollars, such as changes in earnings and public assistance payments produced by the programs (calculated as the differences in outcomes between randomly assigned program and control group members). Because these dollar benefits were received over time, they were adjusted, or “discounted,” to take account of the fact that dollars received earlier in time are valued more highly than dollars received later. (Discussion at the end of this section highlights some possible nonmonetary effects that were not measured.) The cost to the govern-

ment of operating these programs was also estimated. Discounted dollar values of benefits less costs are used to estimate the net values of the programs. The report refers to positive net values as “net gains” and to negative net values as “net losses.” A key goal of benefit-cost analysis is to determine whether a program results in a net gain or a net loss.

Benefit-cost analyses of welfare-to-work programs typically examine benefits and costs from three perspectives: participants, the government budget, and the whole of society.

- The *participant perspective* identifies benefits and costs for program group members, indicating how their income changed (taking into account earnings, public assistance payments, and tax payments) as a result of the program.
- The *government budget perspective* identifies benefits and costs incurred by a combination of federal, state, and local government budgets. Effects on the government budget are calculated by comparing changes in tax revenue, public assistance payments, and the administrative costs of public assistance programs with the costs of operating the welfare-to-work programs, which result from providing program services and earnings supplements.
- The *social perspective* identifies benefits and costs for the whole of society. In this synthesis, the social perspective is computed as the sum of the net values from the participant and the government budget perspectives. (In the case of work experience programs, the value of output produced from unpaid work experience jobs is also counted as a social benefit.) There are some financial transactions that are a “wash” from society’s viewpoint: For example, if a welfare-to-work program causes public assistance payments to decline for participants, this situation would be regarded as a savings to the government but as a cost to program participants (albeit one that may be offset by earnings increases). Because this type of redistribution of resources between government and program participants does not change the total resources available to society as a whole, it has no effect from the social perspective. Earnings gains and program operating costs have the greatest effect on the social perspective because they are not a “wash” from society’s viewpoint.

In principle, the social perspective is the most appropriate of the three perspectives described above. After all, it is the most comprehensive, as it encompasses the two more narrow perspectives. This might seem to suggest that the participant and the government budget perspectives can be ignored.

In practice, however, there are two reasons for not doing this. First, the social perspective does not take into account the possibility that policymakers may be more concerned with program effects on participant income than with program effects on the government budget, or vice versa. If so, policymakers will presumably want information on the perspective on which they wish to focus — either the participant perspective or the government budget perspective. Second, it seems likely that a poor person on welfare will value (say) an additional \$100 of income more than a higher-income person who is not on welfare. If so, this suggests that the benefits and costs of a program to poor persons cannot be simply added to the benefits and costs of the program to a government that is financially supported by middle- and higher-income persons. This suggests looking at program effects on the incomes of welfare recipients and government budgets separately, rather than folding them into a single composite measure by treating dollar values equally regardless of to whom they accrue.

This synthesis also reports estimates of the return on investment (ROI) per net dollar invested by the government. ROIs were calculated for each program from all three perspectives. ROIs are popular with analysts and program operators because they facilitate comparisons of the cost-effectiveness of programs per net dollar invested. ROIs, which are often called “benefit-cost ratios,” are computed by dividing program benefits by program operating costs.

- The *participant ROI* ratio measures the change in participant income per net dollar invested in the program by the government, not by the participants themselves. If participant income increases as a result of a program, then the participant ROI will be positive. If the participants gained more than a dollar in income for each dollar invested by the government (implying that the income transfer process is quite efficient), the participant ROI will be not only positive but greater than one.
- A *government budget ROI* ratio in excess of one implies that the government’s return on its investment, from a budgetary perspective, was in excess of its cost.
- A *social ROI* ratio of greater than one implies that society has received more than a dollar in increased resources for each public dollar invested in the program. Because the social perspective in this synthesis is usually defined as the sum of the participant and the government budget perspectives, the social ROI is usually the sum of the participant and the government budget ROIs. (An exception occurs in the case of work experience programs, however, because the value of output produced from unpaid work experience jobs is counted as a social benefit but not as a benefit to either participants or the government.)

A shortcoming of the benefit-cost analyses reviewed in this synthesis is that they include only costs and benefits that can be readily estimated in monetary terms. For example, dollar values were not placed on program-induced changes in education, health status, or families' or children's well-being that are not reflected in program effects on earnings. The value of time lost to participants if they work more is also not estimated in monetary terms. In addition, if participants in welfare-to-work programs search harder for jobs or work more than they otherwise would, workers who compete with them in the labor market may be worse off. This so-called displacement effect is difficult to estimate and is not measured in any of the studies considered in this synthesis. Benefit-cost analysts of welfare reform initiatives typically do not place dollar values on benefits and costs that are not readily estimated in monetary terms because doing so, in some instances, would require highly tenuous assumptions (for example, assigning a dollar value to reducing poverty, requiring work-related activity as a condition of welfare receipt, or increasing children's well-being).

Some of the factors just discussed may tend to increase the estimated net gains from welfare-to-work programs, while others may tend to decrease the gains. The magnitudes of the individual factors and their net direction when combined, however, would obviously vary for different programs. In a recent article, Greenberg and Cebulla conclude that the most important of the nonmeasured benefits and costs mentioned above are likely to be the value of time lost to program participants who increase their hours of work or participation in program activities and the displacement effects resulting from job losses by people competing in job markets with welfare-to-work participants.¹ Thus, they suggest that the estimated benefits of welfare-to-work programs tend to be overstated relative to the costs of these programs. However, the benefit-cost studies included in this synthesis assume that program benefits continue to exist for only five years;² the overstatement of the net value of welfare-to-work programs would be mitigated to the extent that program benefits actually persevere for longer than five years, although there is some evidence that such benefits are unlikely to persist longer than five years in typical welfare-to-work programs.³

¹David Greenberg and Andreas Cebulla, "The Cost-Effectiveness of Welfare-to-Work Programs: A Meta-Analysis" (*Public Budgeting and Finance* 28, 2: 112-145 [Summer 2008]).

²Many of the benefit-cost studies included in the synthesis observed program effects for five years but no longer. Other studies observed program effects for only two or three years and, hence, had to project program effects for the remaining years of the five-year time horizon.

³See David Greenberg, Karl Ashworth, Andreas Cebulla, and Robert Walker, "Do Welfare-to-Work Programmes Work for Long?" (*Fiscal Studies* 25, 1: 27-53 [2004]).

Box ES.2

Programs Included in the Synthesis, by Type

Mandatory Work Experience

- Cook County WIN (Work Incentive) Demonstration (Chicago)
- San Diego
- West Virginia Community Work Experience Program (CWEP)

Mandatory Job-Search-First

- Atlanta LFA NEWWS (Labor Force Attachment, National Evaluation of Welfare-to-Work Strategies)
- Grand Rapids LFA NEWWS
- Los Angeles Jobs-First GAIN (Greater Avenues for Independence)
- Riverside LFA NEWWS
- SWIM (Saturation Work Initiative Model; San Diego)

Mandatory Education-First

- Atlanta HCD (Human Capital Development) NEWWS
- Columbus Integrated NEWWS
- Columbus Traditional NEWWS
- Detroit NEWWS
- Grand Rapids HCD NEWWS
- Riverside HCD NEWWS

Mandatory Mixed-Initial-Activity

- Alameda GAIN
- Butte GAIN
- Los Angeles GAIN
- Portland NEWWS
- Project Independence (Florida)
- Riverside GAIN
- San Diego GAIN
- Tulare GAIN

Earnings Supplements

- MFIP (Minnesota Family Investment Program) Incentives Only
- SSP (Canada's Self-Sufficiency Project)
- WRP Financial Incentives Only

Time-Limit Mix

- FTP (Florida's Family Transition Program)
- Jobs First (Connecticut)
- WRP (Vermont's Welfare Restructuring Project)

Key Findings for Each Program Type

Each of the 28 welfare-to-work programs included in this synthesis can be viewed as a test of one of six particular welfare reform approaches. These different welfare reform strategies were initiated at various points in time over the past 25 years in different labor markets and localities, and they placed different degrees of emphasis on sometimes-competing goals: increasing welfare recipients' responsibilities in the welfare social contract, reducing government budgets, and increasing the incomes of low-income individuals. As shown in Box ES.2, each program has been allocated to one of the six mutually exclusive groups mentioned above.⁴

While all six program types were designed with the long-term goal of increasing the work effort and self-sufficiency of welfare recipients, each program type had a different theory for how to accomplish this long-term goal and thus emphasized different intermediate goals. As a result, expectations for the benefit-cost findings vary by program type. In other words, a judgment of a program's "success" depends on what the policymakers were attempting to accomplish with the program, and this, in turn, influences whether the participant or the government budget benefit-cost perspective should be weighted more heavily in assessing the program.

Table ES.1 presents a summary of how each program type performed in the benefit-cost analyses from the perspectives of program participants and government budgets, with the results highlighted for the perspective that is most emphasized within each program type. Notable from the table is that even when a program type is successful in achieving its emphasized goal, it does not always look favorable when assessed from another perspective.

Table ES.2 presents the detailed findings and shows the mean, median, minimum, and maximum net value and ROI for each program type and perspective. As indicated above, the studies from which these values are drawn estimated costs and benefits over a five-year period that began with random assignment, appropriately discounting to account for the greater value of dollars received or expended earlier in this period than those received or expended later. The mean and median values in Table ES.2 suppress the variation in benefit-cost performance among the programs within each program type, but the minimum and maximum values in the table convey the extent of the variation.

Key findings for each program type, which are organized by emphasized goal, are highlighted below. These findings are drawn mainly from Tables ES.1 and ES.2. In addition, the following discussion examines individual programs that performed exceptionally well or poorly from the participant or the government budget perspective. For this purpose, "exceptional" was

⁴Descriptions of all the programs appear in Appendix A, and publications describing the evaluations of each program are listed in References and Bibliography.

Welfare-to-Work Program Benefits and Costs

Table ES.1

Benefit-Cost Performance of Each Program Type

Program Type	Most Emphasized Benefit-Cost Goal	Did Participant Income Increase?	Did Government Budgetary Position Improve?	Further Considerations
Mandatory work experience	Reduce welfare costs	Mixed	<u>MIXED</u>	Small net values from participant and government perspectives; from social perspective, consistent net gains due to work experience output
Mandatory job-search-first	Reduce welfare costs	No	<u>YES</u>	Small net gains or substantial net losses to participants
Mandatory education-first	Increase participant income	<u>NO</u>	No	Least successful program type
Mandatory mixed-initial-activity	Balance reducing welfare costs and increasing participant income	<u>YES</u>	<u>YES</u>	Goal achieved by all but two programs targeting long-term welfare recipients
Earnings supplement	Increase participant income	<u>YES</u>	No	Largest participant net gains; an efficient mechanism for transferring income, even though resulting in net losses for government budget
Time-limit-mix (welfare time limits, required activities, and financial incentives for work)	Balance reducing welfare costs and increasing participant income	<u>YES</u>	<u>MIXED</u>	For the government budget, losses more often than gains

NOTE: The underlined, full-capitalized perspective is the benefit-cost perspective that is most useful for determining whether the program type achieved its most emphasized benefit-cost goal.

somewhat arbitrarily defined as programs that, after discounting, resulted in either net gains or net losses of over \$3,000 per program group member over the five-year study period from either the participant perspective or the government budget perspective or from both perspectives. Under this definition, 12 of the 28 programs included in the synthesis qualified as exceptional.

Programs Most Focused on Reducing Welfare Costs

Mandatory job-search-first and mandatory work experience programs are particularly focused on reducing welfare dependency and, hence, the cost of welfare. Thus, the government budget perspective is especially relevant in judging such programs.

- **Mandatory job-search-first programs** reduce government expenditures, thereby achieving their key objective, but do little to increase the incomes of those required to participate in them. From the government budget perspective, mandatory job-search-first programs usually resulted in substantial net gains and in ROIs greater than one. Indeed, two of these programs (Grand Rapids LFA NEWWS and Los Angeles Jobs-First GAIN) resulted in exceptionally large net gains for the government of over \$3,000 per client over five years.
- **Mandatory-job-search-first programs** usually had net gains from the social perspective, mostly as a result of the substantial net gains to the government that they produced.
- **Mandatory work experience programs** are not especially successful in reducing government budgetary costs, but they produce small net gains or break even from the participant perspective. From the government budget perspective, two out of three of these programs resulted in small net losses, and one produced a modest net gain.
- Notably, **mandatory work experience programs** also provided an important benefit to society in the value of output produced at work experience jobs. As a consequence, they all had positive net benefits from the social perspective.

Programs Most Focused on Increasing Participant Income

A major goal of earnings supplement and mandatory education-first programs is to make participants better off. Thus, the participant perspective is particularly pertinent in assessing these programs.

Welfare-to-Work Program Benefits and Costs

Table ES.2

**Five-Year Summary Statistics of Net Value
and ROI per Program Group Member,
by Program Type (in 2006 dollars)**

Program Type	Mean	Median	Minimum	Maximum
<u>Mandatory work experience</u>				
Participant perspective	\$285 (4.77)	\$310 (2.22)	-\$163 (-0.32)	\$707 (12.40)
Government budget perspective	\$103 (1.04)	-\$328 (0.35)	-\$365 (-5.40)	\$1,002 (8.17)
Social perspective	\$1,162 (8.88)	\$1,261 (9.82)	\$503 (3.50)	\$1,720 (13.32)
<u>Mandatory job-search-first</u>				
Participant perspective	-\$570 (-0.16)	\$196 (0.04)	-\$2,729 (-1.13)	\$837 (0.49)
Government budget perspective	\$1,954 (1.97)	\$2,266 (2.34)	-\$932 (0.81)	\$3,521 (2.77)
Social perspective	\$1,215 (1.74)	\$654 (1.27)	-\$946 (0.80)	\$3,552 (3.06)
<u>Mandatory education-first</u>				
Participant perspective	-\$1,360 (-0.27)	-\$1,554 (-0.32)	-\$3,571 (-0.65)	\$569 (0.13)
Government budget perspective	-\$745 (0.86)	-\$387 (0.88)	-\$3,943 (0.41)	\$735 (1.13)
Social perspective	-\$2,234 (0.57)	-\$2,510 (0.50)	-\$3,545 (0.38)	-\$205 (0.92)
<u>Mandatory mixed-initial-activity</u>				
Participant perspective	\$808 (0.27)	\$1,422 (0.35)	-\$2,178 (-0.32)	\$2,651 (1.19)
Government budget perspective	-\$67 (1.27)	\$89 (1.06)	-\$4,803 (0.17)	\$6,337 (2.84)
Social perspective	\$515 (1.47)	\$774 (1.10)	-\$7,042 (0.13)	\$6,221 (3.79)

(continued)

Table ES.2 (continued)

Program Type	Mean	Median	Minimum	Maximum
<u>Earnings supplement^a</u>				
Participant perspective	5,396 (4.22)	\$5,602 (4.22)	\$239 (3.72)	\$10,141 (4.71)
Government budget perspective	-\$3,532 (-0.16)	-\$1,472 (-0.16)	-\$10,958 (-0.91)	-\$228 (0.58)
Social perspective	\$1,865 (4.06)	\$1,132 (4.06)	-\$815 (2.82)	\$6,009 (5.30)
<u>Time-limit-mix</u>				
Participant perspective	\$3,525 (1.27)	\$1,983 (1.27)	\$1,754 (0.19)	\$6,839 (2.51)
Government budget perspective	-\$4,279 (0.19)	-\$5,111 (0.20)	-\$8,128 (-0.88)	\$402 (1.26)
Social perspective	-\$961 (1.40)	\$1,512 (1.55)	-\$6,374 (0.37)	\$1,978 (2.26)

SOURCES: Published reports from the program evaluations. See the complete report for References and Bibliography.

NOTES: Appendix B in the complete report presents individual results for each type of program and perspective.

The ROI appears in parentheses.

Earnings supplement ROI numbers refer only to two of four programs. Two programs resulted in a savings from operating costs, so the ROI calculation did not make sense and thus is not presented.

^aApplicant results for Canada's Self-Sufficiency Project (SSP) are a six-year estimate.

- **Earnings supplement programs** meet their key goal of producing substantial net gains for participants; these net gains are often larger than the program costs to the government, suggesting that such programs are an effective means of transferring income to the working poor. Because the benefit-cost studies included in this synthesis assume that program benefits continued to exist for only five years, earnings supplement programs would be even more effective than implied if — as a result of job experience gained while participants received earnings supplements — the programs' effects on earnings persisted beyond this period. Unfortunately, however, these effects dimi-

nished over time, reaching zero before or just after the end of the five-year period.⁵

- Two **earnings supplement programs** (MFIP Incentives Only and SSP) qualified as “exceptional” in a positive sense from the participant perspective. Both featured earnings supplements that resulted in exceptionally large net gains for participants; however, MFIP resulted in exceptionally large net losses from the government perspective (that is, gains and losses of over \$3,000 per client over five years), while the net losses to the government’s budget were not exceptionally large for SSP. This difference is probably attributable to the SSP program’s limiting the receipt of earnings supplements to individuals who worked at least 30 hours a week.
- Among the **earnings supplement programs**, only one resulted in a net loss from the social perspective, and this loss was modest. As the social perspective is the sum of the participant and government perspectives, these rather positive results are driven by the large net gains to participants. They suggest that earnings supplement programs are an efficient mechanism for transferring income to low-income families, inasmuch as they cost less than a dollar for each dollar of increase in the incomes of the poor. Most transfer programs, in contrast, cost the government more than a dollar for each dollar increase in the incomes of recipients.
- **Mandatory education-first programs** fail to meet their key objective of increasing the incomes of those required to participate in them, and they also do not reduce government expenditures.
- Under the definition of an “exceptional” net loss that is used in this synthesis (that is, a loss of over \$3,000 per client over five years), one **mandatory education-first program** (Riverside HCD NEWWS) resulted in an exceptionally large net loss for participants, and another (Atlanta HCD NEWWS) produced an exceptionally large net loss from the government perspective.

Programs Focused on Balancing Participant and Government Gains

Some programs, such as mixed-initial-activity programs and time-limit-mix programs, attempt to balance reducing government costs with increasing the financial well-being of partic-

⁵For a detailed analysis, see Charles Michalopoulos, *Does Making Work Pay Still Pay? An Update on the Effects of Four Earnings Supplement Programs on Employment, Earnings, and Income* (New York: MDRC, 2005).

ipants. One way to judge these programs is to rely on both the participant and the government perspective.

- **Mandatory mixed-initial-activity programs** are often cost-beneficial for both the government and the participants, thereby meeting their key objectives.
- Six of the **mandatory mixed-initial-activity programs** in this category enrolled both short-term and long-term welfare recipients, and, in general, these six programs achieved their goal: With a few exceptions, they were cost-beneficial for both the government *and* the participants. The remaining two programs (Alameda GAIN and Los Angeles GAIN), which limited participation to long-term welfare recipients and were exceptionally expensive to operate, did not produce positive results. Indeed, these two programs produced exceptionally large net losses of over \$3,000 from the government perspective. Los Angeles GAIN also resulted in net losses of over \$2,000 from the participant perspective.
- Two **mandatory mixed-initial-activity programs** (Portland NEWWS and Riverside GAIN) produced exceptionally large net gains of over \$3,000 per client from the government budget perspective. In addition, Riverside GAIN produced a net gain for participants of \$2,651 per client, thereby also almost qualifying as exceptional from the participant perspective. These two programs put considerable emphasis on job search. In addition, Riverside GAIN put considerable pressure on most participants to take jobs as quickly as possible (although programs that do not qualify as exceptional followed this practice as well).
- However, the program that produced the largest net gains for the government budget, Portland NEWWS, encouraged participants to wait for “good” jobs.
- **Time-limit-mix programs** produced mixed results in meeting their goal of balancing reducing long-term government expenditures with making participants better off. While all three of these programs resulted in net gains for participants, two produced net losses from the government budget perspective. Both programs with net losses from the government budget perspective had exceptionally large net losses (over \$3,000 per client over five years). One of these programs, Florida’s FTP, had very large operating costs, and the other program, Connecticut’s Jobs First, featured generous earnings supplements. Connecticut’s Jobs First also had exceptionally large gains from the participant perspective.

- Two of the three **time-limit-mix programs** resulted in net gains from the social perspective.

Conclusions About Program Type

The benefit-cost findings for the six program types suggest the following conclusions:

- **Reducing welfare costs.** Both job-search-first programs and mandatory unpaid work experience programs emphasize reducing government costs. Job-search-first programs, which sought to reach this goal by getting people jobs quickly, were generally successful in doing so. They tended to be beneficial for the government budgets but resulted either in small benefits or in losses for participants. Mandatory unpaid work experience programs that required people to work in community jobs in return for their welfare benefits, often following a period of job search, were less successful in reducing government costs. Some mandatory unpaid work experience programs increased the incomes of participants, although the net gains were small, and they also provided goods and services for the general public.
- **Increasing participant income.** Both earnings supplement and mandatory education-first programs emphasize increasing participant income. Earnings supplement programs appear to be highly successful in meeting this goal, but education-first programs are not. Earnings supplement programs benefit participants by boosting their returns from working, but they tend to increase government costs. Participant gains, however, often exceed government losses. Education-first programs, which emphasize GED completion and Adult Basic Education, sometimes have negative effects on both participant income and the government budget. (None of the studied education-first programs, however, made intensive investments in training or college.)
- **Balancing participant and government gains.** Mandatory mixed-initial-activity and time-limit-mix programs intend both to increase participant incomes and to reduce government budgets. Mixed-initial-activity programs were often successful in doing this; programs that enrolled all welfare recipients, as opposed to only long-term welfare recipients, were beneficial from both the participant and the government budget perspective. Results for the time-limit-mix programs are inconclusive. Time-limit-mix programs were beneficial for participants but tended to result in losses, sometimes substantial ones, for the government.

Conclusion

The above discussion is not intended to suggest that each type of welfare-to-work program should be assessed from only a dominant perspective. All three perspectives are germane, but the goals most emphasized by policymakers naturally affect which perspective is given the most weight.

If one's chief goal is to increase participants' income, then earnings supplement programs appear to best achieve this goal. If one's chief goal is to reduce government expenditures, then mandatory job-search-first programs can be considered. If one's chief goal is to balance reducing welfare expenditures with increasing participants' income, then mandatory mixed-initial-activity programs appear to be promising. Notably, two of the program types — mandatory work experience programs and time-limit-mix programs — produced mixed results in terms of their emphasized goals. Finally, programs in the mandatory education-first category, which emphasized GED completion and Adult Basic Education, did not achieve the goal of greatest emphasis for them: that of increasing the income of participants. They were also not successful in saving the government money.

However, it is important to bear in mind that only costs and benefits that are naturally expressed in dollars were measured. Policymakers — and society in general — also seek to accomplish goals that are not easily expressed in dollars and cents. This underscores the fact that benefit-cost analyses can monetize only some costs and benefits; goals and values must be taken into account in overall assessments of program types.

The benefit-cost findings that are examined in detail in this synthesis can aid policymakers and program developers in assessing the often complex trade-offs associated with balancing the desire to ensure the poor of adequate incomes with the goal of encouraging self-sufficiency. As states' leaders seek strategies to move more welfare recipients into work, it is hoped that this report will provide them with some of the evidence they need to improve their policies for low-income families.

Chapter 1

Introduction

Over the past two decades, federal and state policymakers have dramatically reshaped the nations' system of cash welfare assistance for low-income families. Through national legislation and state-initiated reform and experimentation, policymakers have sought to transform the Aid to Families with Dependent Children (AFDC) program, now the Temporary Assistance for Needy Families (TANF) program. During this period, there has been considerable variation from state to state in approaches to welfare reform. These approaches, which are often collectively referred to as "welfare-to-work programs," include attempting to get welfare recipients into jobs quickly through intensive job search activities; providing education and training to build up welfare recipients' skills; using financial incentives to motivate people to work; putting time limits on how long welfare assistance can be received; and providing unpaid work experience as a means of imparting good work habits and skills. While varied in what they do, almost all welfare-to-work programs have shared a common long-term goal: reducing families' reliance on welfare benefits, primarily by increasing work among recipients.

Results reported elsewhere have shown that many welfare-to-work program approaches can, indeed, increase adults' employment and earnings and reduce their welfare receipt. In some cases, individuals' income has been increased as well.¹ In addition, some types of program approaches have been found to have positive effects on welfare recipients' preschool-age and elementary school-age children. In these programs, children's levels of school achievement increased, most probably due to increases in their parents' income.²

An obvious question to ask, however, is: Which of these welfare reform program approaches result in a positive payoff on the investments made in them? That is, which of these welfare reform program approaches make participants better off financially? And in which instances do the benefits from welfare reform program approaches exceed their costs from the government's or society's standpoint? If several different approaches have positive results, then one also can ask another question: Which approach performs best? Benefit-cost analysis — which uses a variety of techniques to determine whether the benefits or the costs of policies or programs are larger — has been designed specifically to address such questions.³ Moreover, it provides readily communicated and easily understood summary figures, such as estimates of the

¹See Bloom and Michalopoulos (2001).

²See Morris et al. (2001); Morris, Gennetian, and Duncan (2005).

³This synthesis report uses the term "benefit-cost analysis" to be consistent with previous MDRC publications; this term, however, is no different in meaning than "cost-benefit analysis."

net value⁴ of a program (benefits less costs) and returns on investment (benefits divided by investment costs).

In fact, a number of benefit-cost studies have been conducted of welfare-to-work programs that were implemented in states or localities during the 1980s and 1990s. This report synthesizes findings from benefit-cost studies conducted by MDRC of 28 of these welfare reform initiatives.⁵ The synthesis provides a wealth of information on the costs, benefits, and returns on investment of a number of different welfare reform strategies, and it supplies a perspective for states to consider as they seek to make future TANF programmatic decisions. Although the programs included in the synthesis were launched prior to passage of the landmark federal welfare reform law of 1996, which established the TANF block grant, they contain elements of most states' current welfare reform programs. Moreover, the programs encompass features that many states are now likely to examine more closely as they seek to meet the more stringent welfare-to-work program participation rates embodied in the Deficit Reduction Act (DRA) of 2005 that reauthorized the 1996 welfare reform law. In brief, DRA significantly strengthens the requirement that a state must have a certain percentage of its welfare caseload in work or participating in approved work-related activities for a set number of hours each week or the state faces a reduction in its welfare block grant.

Together, the studies of the 28 welfare-to-work programs that are synthesized in this report, which were run in 11 states and two Canadian provinces, involved more than 100,000 research sample members. Thus, these programs operated in "real-world" conditions at a significant scale. (Appendix A presents brief descriptions of all 28 programs.) All the studies used random assignment research designs, resulting in probably the most extensive and most reliable database of findings about welfare-to-work programs ever assembled. Although the studies began in the mid-1980s and early 1990s — before passage of the 1996 welfare reform law — their findings remain highly relevant today because they provide detailed data about the benefits and costs of different employment strategies for groups of welfare recipients, mostly female single parents. Little has been done to synthesize the benefits and costs of welfare-to-work initiatives and to compare how the return on the government's investment differs for various types of interventions. Thus, this report fills an important knowledge gap.

⁴Traditionally, benefit-cost analyses refer to program benefits minus program costs as the "net present value." For simplicity, this report refers to the net present value as the "net value."

⁵The present report can be viewed as a companion to the 2001 synthesis by Bloom and Michalopoulos of the estimated effects of welfare-to-work programs on earnings, income, and welfare benefits. Both syntheses cover many of the same programs. The only exceptions are three older mandatory work experience programs, which are covered in this synthesis (see footnote 7) but not in the 2001 document, and Milwaukee's New Hope program, which is covered in the earlier synthesis but not in this one. (New Hope, unlike the other programs included here, was not focused exclusively on welfare recipients and applicants, and the benefit-cost analysis for the full New Hope sample was only a short-term one.)

Each of the 28 welfare-to-work studies included in the synthesis can be viewed as a test of a particular type of welfare reform strategy. Each of these strategies was developed to accomplish multiple goals. Based on the type of strategy that each of the studied programs embodies, they have been allocated to one of the following six mutually exclusive groups, which are listed in the order in which they developed historically:⁶

- Mandatory work experience programs (three programs)
- Mandatory job-search-first programs (five programs)
- Mandatory education-first programs (six programs)
- Mandatory mixed-initial-activity programs (eight programs)
- Earnings supplement programs (three programs)
- Time-limit-mix programs (three programs)⁷

While each of the six program types was designed with the long-term goal of increasing the work effort and self-sufficiency of welfare recipients, each type of program had a different theory for how to accomplish this long-term goal and emphasized different intermediate goals. For example, the most salient goal of mandatory work experience and mandatory job-search-first programs is to reduce government costs. In contrast, the featured goal of mandatory education-first and earnings supplement programs is to increase participant income. The two other program types — mandatory mixed-initial-activity programs and time-limit-mix programs — seek to balance reducing government costs with increasing participant income. Thus, whether a program is judged as a success from a benefit-cost perspective depends on what goals policymakers weighted most heavily.

Moreover, as will be seen, while benefit-cost analyses of welfare-to-work programs focus on *how* these programs affect the financial situation of welfare families and the government, the goals of many programs go beyond this. Some programs, for example, seek to boost the self-esteem of welfare recipients, prize increased labor market participation by welfare recip-

⁶The WRP study is included in two categories: earnings supplement programs and time-limit-mix programs. This is because the WRP study had a three-way random assignment design (which generated a control group, a WRP group, and a WRP Financial Incentives Only group) that allowed the examination of the costs and benefits of earnings supplements as well as the costs and benefits of a time-limit mix.

⁷This synthesis focuses on benefit-cost analyses from the more recent of MDRC's random assignment evaluations of mandatory employment programs. Thus, studies that were initiated in the first part of the 1980s have been excluded from the synthesis, with the exception of three mandatory work experience programs. This exception was made because there have been only a limited number of random assignment studies that isolate the effect of work experience.

ients even if their incomes do not increase, or seek to engender long-term positive effects on the children of welfare recipients. The benefit-cost analyses that are reviewed in this synthesis were not designed to appraise whether these goals were accomplished.

Taken together, these six categories represent close to the full range of strategies that have been tried by the welfare system under TANF. These strategies are more fully described in the individual chapters on each category, where the programs included in each category are also listed. To facilitate comparisons across categories, similar questions are asked about the programs in each category: What are their costs? What are their benefits? From the separate and distinct perspectives of government budgets, program participants, and society as a whole, do these types of programs produce benefits that exceed costs? What is the return per net dollar invested by the government in these types of programs? The answers to these questions will be of particular interest to persons with responsibilities for designing welfare-to-work programs.

The 28 programs that are included in the synthesis have each been assigned to only one category on the basis of the best judgment as to the key innovation being tested.⁸ However, it is important to keep in mind that some included programs actually tested two or more welfare reform strategies (for example, mandatory employment services in combination with work experience). Thus, differences in the benefit-cost results within a category may result because some programs within the category represent a “pure” form of the strategy and others do not. The reader is alerted whenever this could be the case.

Chapter 2 of this report describes MDRC’s approach in conducting benefit-cost analyses of welfare-to-work programs. Then the benefit-cost findings for each of the six program categories are presented in Chapters 3 through 8. To aid comparisons across categories, these six chapters are organized similarly: They begin with a description of the program category,⁹ then present a brief summary of the benefit-cost findings for programs in that category, and subsequently present a detailed analysis of the findings. Finally, Chapter 9 compares the program types in terms of the costs and benefits that they engender, and it concludes the report by discussing some policy implications.

⁸Again, the WRP study, which tested two distinct programs, is included in two categories: earnings supplement programs and time-limit-mix programs.

⁹Appendix Table B.1 presents selected characteristics of the sample members in each program included in this synthesis.

Chapter 2

Conducting Benefit-Cost Analyses of Welfare-to-Work Programs

This chapter describes the benefit-cost framework used in MDRC's evaluations, the random assignment design on which MDRC's evaluations of welfare-to-work programs are based, the methodology used in estimating the costs and benefits of welfare-to-work programs, and how the return on investment in these programs is calculated. The chapter mentions a number of issues in conducting benefit-cost analyses and discusses some limitations of the approach.

MDRC's Benefit-Cost Accounting Framework

Table 2.1 displays the accounting framework that is used in MDRC's benefit-cost studies. Plus signs indicate anticipated sources of benefits, and minus signs indicate anticipated sources of costs, from three different perspectives: those of program participants, the government budget, and society as a whole. A zero implies that there is neither a cost nor a benefit from the perspective being considered. The question marks at the bottom of each column indicate that the sum of the benefits and costs listed above it — that is, the net value of a particular program — can be either positive or negative. In this report, positive net values are called “net gains,” and negative net values are called “net losses.” A key goal of benefit-cost analysis is to determine whether a program results in a net gain or a net loss. (Box 2.1 defines the key terms used in benefit-cost analysis.)

The first column in Table 2.1 shows benefits and costs from the perspective of participants in a welfare-to-work program, and the second column displays benefits and costs that accrue to the government as a result of operating the program. All the effects on program participants relate to changes in their incomes, and all the effects on the government concern changes in the government's budget. As discussed below, however, welfare-to-work programs can have important nonfinancial effects that are not usually captured by benefit-cost analyses. The most important of the financial effects that are listed in Table 2.1 are those on program operating costs and earnings. Earnings effects are important in and of themselves but also because they strongly influence program effects on taxes and eligibility for transfer payments (that is, welfare, food stamps, and Medicaid).

Notice that Table 2.1 implies that if a welfare-to-work program causes participant tax payments to increase or causes welfare payments, food stamps, or the availability of Medicaid to decline for participants, this situation should be regarded as a savings or benefit to the

Welfare-to-Work Program Benefits and Costs

Table 2.1

The Expected Financial Effects of Welfare-to-Work Programs

Financial Effect	Accounting Perspective		
	Participant	Government Budget	Society
Earnings and fringe benefits	+	0	+
Taxes (including EITC)	—	+	0
Welfare	—	+	0
Food stamps	—	+	0
Medicaid	—	+	0
Work experience output	0	0	+
Administrative cost of transfer programs	0	+	+
Operating costs	0	—	—
Net value (net gain or net loss)	?	?	?

NOTES: A plus sign indicates an expected benefit, and a minus sign indicates an expected cost. A zero indicates that the expected effect is neither a benefit nor a cost.

The question marks at the bottom of each column indicate that the sum of the benefits and costs listed above it — that is, the net value of a particular program — can be either positive or negative.

Box 2.1

Key Terms

Mandatory work experience programs: The present value of the sum of a program's benefits and costs. (Values are discounted to account for cash flows occurring at different times over the five-year period.) This is the number used to assess whether a program was beneficial in benefit-cost analysis.

Net gain: A positive net value. The benefits of the program outweigh the costs.

Net loss: A negative net value. The costs of the program outweigh the benefits.

government but as a cost to program participants (albeit a cost that may be offset by earnings increases). Thus, a program can result in net gains from the standpoint of program participants if benefits (typically increased earnings) exceed costs (typically reduced transfer payments and increased tax payments). A program can produce net gains from the government budget perspective if benefits (typically increased tax revenue,¹ decreased transfer payments, and a decreased cost for administering transfer programs) exceed the cost of providing program services and earnings supplements. (Contrary to other welfare-to-work programs, earnings supplement programs, by design, cause public assistance payments to increase.) Because the treatment of benefits and costs differs greatly between the program participant and the government budget perspectives, it is very important that readers who wish to compare the findings presented in this synthesis with findings from other studies be aware of which benefit-cost perspective is being analyzed in the other studies.

The third column in Table 2.1 shows benefits and costs from the perspective of society as a whole. In principle, the social perspective should count all the benefits and costs of a program regardless of to whom they accrue. Thus, it is the most inclusive of the three perspectives being considered. As shown in Table 2.1, it is computed, in practice, by simply summing the benefits and costs that accrue to two components of society: program participants and the government.² Hence, increases in tax payments and reductions in welfare, food stamps, and Medicaid are treated as neither a benefit nor a cost to society as a whole but, rather, as simply income transferred from one component of society to another. (Box 2.2 outlines the three benefit-cost perspectives.)

There are at least three serious shortcomings with the social perspective as it is used in practice. First, it is not as inclusive as it should be. Benefits and costs that do not affect either participants or the government's budget are not usually counted in MDRC's benefit-cost studies because they are typically impractical to measure. For example, an uncounted cost may be imposed on low-wage workers who do not participate in welfare-to-work programs if those who do participate obtain jobs that the nonparticipants would otherwise have held. Little is known

¹Table 2.1 shows welfare-to-work programs as increasing government tax revenue because they are expected to increase earnings, and, as a result, tax payments often increase. However, because program effects on tax payments include effects on the Earned Income Tax Credit (EITC), some programs that increase earnings cause a decrease in government tax revenues. The direction of the effect on taxes depends on the earnings of program participants who find employment: If they are in lower-paid jobs, then they will likely receive EITC payments; but if they are in higher-paid jobs, then they may not be eligible for EITC and will instead pay taxes to the government.

²The participant and government perspectives may not sum to the social perspective due to employer-paid payroll taxes and work experience output (see footnote 3). In the studies in this synthesis, payroll taxes (for example, the employers' portion of Social Security and Medicare taxes) were often shown as zero to participants and as a benefit to government. Because employers are part of society, payroll taxes are then treated as zero in the social perspective, under the assumption that they were paid by employers.

Box 2.2

Benefit-Cost Perspectives

Benefit-cost analysis typically examines benefits and costs from three perspectives: participants, government budgets, and society.

Participant perspective: Identifies benefits and costs for program group members, indicating how they fared as a result of the program. In general, a program results in net gains from the participant perspective if program group members' benefits (typically increased earnings) exceed their costs (typically reductions in transfer payments and greater tax payments).

Government budget perspective: Identifies benefits and costs incurred by a combination of federal, state, and local government budgets. In general, a program produces net gains from the government budget perspective if benefits that accrue to the government's budget (typically increased tax revenue, decreased transfer payments, and decreased administrative costs of transfer programs) exceed the cost of providing program services and earnings supplements. (Contrary to other welfare-to-work programs, earnings supplement programs, by design, cause public assistance payments to increase.)

Social perspective: Identifies benefits and costs for society. In this synthesis, the social perspective is the sum of the net values from the participant perspective and the government budget perspective. In the case of work experience programs, the value of output produced from unpaid work experience jobs is also counted.

about the size of this so-called displacement effect because it is inherently difficult to measure. The value of the social benefits of income redistribution and reductions in poverty are also not counted in MDRC's benefit-cost analyses. The clear but difficult-to-measure benefits associated with society's preferences for work over welfare are also not counted. The one social benefit that MDRC does often estimate, even though it accrues to neither participants nor the government budget, is the value of output produced on unpaid work experience jobs.³

Second, the social perspective does not include nonmonetary effects on participants because MDRC's analyses include only benefits and costs that are readily estimated in monetary terms. Basically, it is simply not possible to measure the dollar value of all the potential benefits and costs of the evaluated programs. For example, dollar values were not placed on program-induced changes in education, health status, or families' or children's well-being that are not reflected in program effects on earnings. In addition, out-of-pocket work-related expenses by participants on child care and travel to jobs that were not reimbursed by a program were usually not measured. Moreover, the analyses did not consider sample members' forgone personal and

³Work experience output is valued as the compensation that employers would have had to pay in the regular labor market to hire employees with the same level of productivity.

family activities that might result from increased work. Benefit-cost analysts of welfare reform initiatives typically do not place dollar values on the benefits and costs listed above because doing so, in some instances (for example, determining the monetary value of improvements in health status), would require more resources than are available for the study; in other instances, doing so would require highly tenuous assumptions (for example, assigning a dollar value to reducing poverty or increasing children's well-being).

All the benefits and costs just mentioned result from program effects on participants, not on the government's budget. Thus, omitting these benefits and costs means that the dollar estimates of program net values for participants will be either understated or overstated to the extent that nonmonetary benefits or costs are important. In contrast, an estimate of how a program affects the government's budgetary position is comprehensive; nothing is left out. Thus, it is somewhat problematic to compute the net value of a program to society by summing benefits and costs that accrue to the government budget, which should be fully inclusive, and those that accrue to program participants, which are not fully inclusive.

In general, in assessing the benefit-cost findings, it is important to keep in mind that, because of omitted benefits and costs, some welfare-to-work programs that appear beneficial from the participant perspective may, in fact, not be beneficial, and vice versa. Perhaps more important in the context of this synthesis, comparisons among the programs that are examined may be somewhat distorted. Notably, the benefit-cost findings from the government budget perspective do not present similar problems.

The third practical limitation of the social perspective is that the persons who pay most of the taxes supporting the government tend, on average, to have higher incomes than the welfare population. There is a considerable benefit-cost literature that argues that the gains and losses of lower-income persons should be valued more highly than those of higher-income persons. One justification for this argument is that the value individuals put on each additional dollar they receive is likely to be higher for low-income persons than for higher-income persons. Thus, it is not clear that a dollar gained or lost by participants in welfare-to-work programs should be treated the same as a dollar gained or lost by the government.⁴ However, it is treated this way in MDRC's benefit-cost analyses because an appropriate approach that might be used instead is not apparent.

Because of the shortcomings of the social perspective, this synthesis focuses mainly on the participant and government budget perspectives — although findings are reported for all three perspectives. By focusing on the participant and government budget perspectives, emphasis is put on situations in which conflicts occur because a program makes its participants better

⁴Boardman, Greenberg, Vining, and Weimer (2006), Chap. 18.

off but worsens the government's budgetary position, or vice versa. In such instances, conclusions about the efficacy of the program depend on value judgments, including judgments about the relative values of dollars gained and lost by program participants and the government and about what the goals of the program are. As the following chapters show, however, some programs produce net gains for both participants and the government.

The Design of MDRC's Welfare-to-Work Evaluations

All the studies included in the synthesis used a random assignment research design. This rigorous methodology allows the effects of a program to be disentangled from the effects of other factors, such as the economy. Using this type of research design, individuals — usually single mothers receiving welfare — were assigned at random to a program group, which was subject to the welfare reforms, or to a control group, which was not. The groups were tracked over several years and compared on a number of outcomes, including employment, earnings, welfare receipt, and food stamp receipt. Government expenditures on behalf of both groups were tracked over several years as well. Because people were assigned to the groups at random, it can be assumed that, within each study, the groups did not differ systematically at the outset and went on to experience the same general economic and social conditions. Thus, any differences that emerged between the groups in the studies — for example, in people's earnings or use of government benefits — can be reliably attributed to the programs that were studied.

All the studies included in the synthesis used a similar benefit-cost methodology, which involved estimating costs and benefits over the five-year period following random assignment. The general approach was to focus on effects that are naturally expressed in dollars, such as earnings increases and public assistance payment decreases produced by the programs (calculated as the differences in outcomes between program group members and control group members), and to compare these estimates with estimates of the dollar value of the programs' operating costs.

Cost and Benefit Estimation Techniques

Operating Costs

As shown in Table 2.1, the major cost to the government in running welfare-to-work programs are operating outlays — that is, expenditures incurred in purchasing the services provided by programs.⁵ MDRC typically estimates these costs of programs by examining

⁵Operating costs include expenditures on instruction and materials, case management (for example, costs involved in counseling people about their barriers to work, helping people find jobs, enforcing time
(continued)

them after they have reached a steady state (usually one or two years after a program is introduced). The number of program group members is divided into the total steady-state period's operating costs to obtain an estimate of costs per program group member.

“Operating cost per program group member” is a comprehensive measure of all the costs to the government of providing employment services and related support services to welfare recipients while they were enrolled in a welfare-to-work program as well as after they left the program and/or the welfare rolls. “Operating cost per control group member” is the corresponding estimate for the control group. These costs arise when members of the control group also receive services intended to encourage work. As is highlighted in Box 2.3, the measure of operating costs used in this report is the difference between program group and control group operating costs. In other words, the cost for the control group is the benchmark used to determine the *additional* per person operating cost engendered by the program being evaluated.

Expenses incurred in providing job search, education, training, work experience, and work supplements — whether within welfare-to-work programs or when individuals seek out and participate in these activities on their own — as well as the costs of case management and support services, all contribute to operating costs. If substantial and similar proportions of program and control group members participate in high-cost activities, such as vocational training and postsecondary education, then it is likely that the costs for both groups will be high but that the difference in operating cost between the two groups — the measure used in the benefit-cost analysis — will be relatively small. In contrast, if most program group members participate in education and training activities and few control group members do so, then it is likely that the difference in operating costs between the two groups will be relatively large.

Benefits

As shown in Table 2.1, program benefits to participants typically include increases in earnings and fringe benefits, while benefits to the government typically include increases in tax payments that result from increases in participants' earnings and decreases in welfare and food

limits, and assigning individuals to education or training programs or unpaid work experience jobs), and direct program expenditures on support services, such as child care and transportation. Reimbursements to program participants for their expenditures on child care or on transportation are also included. However, operating costs do not include program effects on transfer payments. In other words, they involve the purchases of real resources that, if not purchased as a result of a program, would be available for other purposes.

Box 2.3

How Are Benefits and Costs Measured?

Benefits and costs are measured in this synthesis as differences in average outcomes between a program group and a control group. In other words, the control group benefits and costs are the benchmark used to determine the additional benefits and costs engendered by the program being evaluated.

stamp payments, Medicaid outlays, and the costs of administering transfer programs.⁶ Typically, MDRC directly measures program effects on earnings⁷ and welfare payments and then uses these estimates to infer program effects on fringe benefits and tax payments.⁸ Some MDRC studies also directly measure program effects on food stamps and Medicaid, but other studies infer them on the basis of estimates of program effects on earnings and welfare benefits. Program effects on the administrative costs of transfer programs are typically estimated using available administrative data on expenditures.

Adjusting for Inflation⁹

All the benefit and cost estimates appear in this report as they were calculated in the original studies. However, they have been adjusted to 2006 dollars using the Consumer Price Index to account for inflation, thereby providing a common dollar metric when comparing programs that operated in different time periods. (Box 2.4 describes how the Earned Income Tax Credit [EITC] has changed over time.) A shortcoming with the inflation adjustment is that there are some costs that have risen faster than inflation. Hence, programs with these types of costs will appear less costly than they would be in today's economy. In particular, programs

⁶Program effects on unemployment insurance (UI) benefits were estimated for some benefit-cost analyses but not for others. When estimated, this effect is usually small. When the effect was not estimated, the needed data might not have been available or the effect might have been expected to be small.

⁷These studies typically use UI data to measure earnings. However, the evaluation of Canada's Self-Sufficiency Project (SSP) used survey data to measure earnings. UI data include the earnings from only those jobs that are in the UI system. Thus, the data do not include federal jobs or jobs in the informal labor market. Survey data include all jobs but may be subject to survey response bias, sampling bias, and lapses in respondents' memories.

⁸The studies assumed a take-up rate of between 70 percent and 100 percent for the EITC. The studies of the San Diego work experience program and the West Virginia CWEP program did not estimate EITC payments; however, EITC benefits were fairly small at the time that these studies were conducted. (See Box 2.4.)

⁹Discounting is discussed below in this chapter. Inflation-adjusting adjusts for changes in the prices of goods over time, whereas discounting adjusts for the fact that goods received earlier in time are valued more highly than goods received later in time.

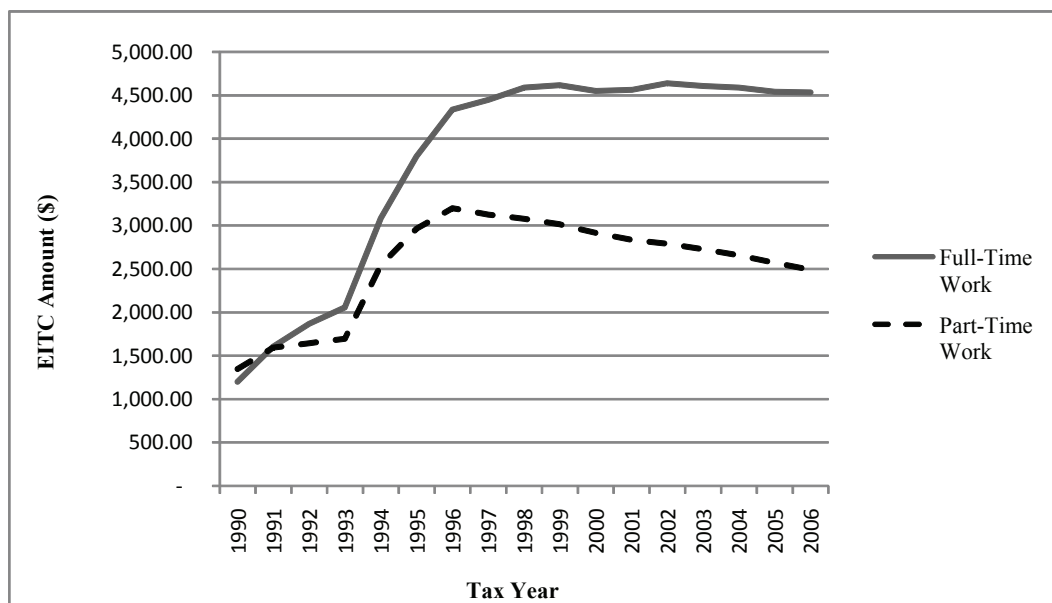
Box 2.4

How Has the Earned Income Tax Credit Changed Over Time?

The Earned Income Tax Credit (EITC) has become more generous over time, especially for full-time workers. The figure below shows, over time, the annual EITC benefits for a single mother with two children who earns \$6 per hour for part-time work (20 hours per week) and full-time work (40 hours per week). The EITC amounts in the figure have been adjusted for inflation. From 1990 to 1996, the inflation-adjusted credit increased for both part-time work and full-time work at a \$6 per hour wage rate. From 1996 to 1998, the inflation-adjusted credit continued to increase for full-time work but at a slower rate than previously. Since 1998, it has been stable. The nominal EITC for part-time work at a \$6 per hour wage rate has remained constant since 1996, but the inflation-adjusted EITC has declined.

Tax payments in this synthesis reflect the tax rules and rates in effect at the time of each study. Since the EITC was more generous after 1990, benefit-cost analyses conducted after 1990 may show greater benefits for participants than studies conducted prior to 1990.

Welfare-to-Work Program Benefits and Costs



SOURCE: MDRC calculations from Internal Revenue Service (IRS) tax documents.

NOTES: The calculations assume annual earnings of \$6,240 for part-time work and \$12,480 for full-time work. Amounts are inflation-adjusted to 2006 dollars.

with large health care and education costs would cost more to operate today than is reflected in the benefit-cost analyses. Readers are alerted throughout the report when education or health care costs were a major program component. However, while many programs in the synthesis included these types of costs, they were not a major component of most programs.

Estimating Future Effects

Almost all of MDRC's benefit-cost analyses covered a five-year period after random assignment.¹⁰ However, because cost and benefit data were not available for this entire five-year time horizon for many of the programs, assumptions had to be made about what would happen to costs and benefits from the end of the period for which the data were available (the observation period) out to five years (the projection period).¹¹ The lengths of the observation and projection periods vary by sample cohort. That is, sample members who were randomly assigned earlier will have a longer observation period and a shorter projection period than sample members who were randomly assigned later. The studies used different assumptions to estimate future effects because they typically based them on trends in the data from the observation period for each study. For details on the assumptions made in conducting the benefit-cost analyses for an individual study, see the final report for that study. (See References and Bibliography for a list of the evaluation reports used in this synthesis.)

Discounting

Because program benefits that are received in later years and costs that are paid in later years are of less value than similar amounts that are received or paid sooner, a 5 percent discount rate was used in all of MDRC's benefit-cost studies to convert benefits to their present values. When total discounted costs are subtracted from total discounted benefits, the resulting value is called "net present value," although this synthesis often uses the term "net value" for convenience. Use of a discount rate is standard practice in benefit-cost analysis. Because the

¹⁰The WRP and the SSP Applicant results were originally reported for a six-year time horizon. The WRP findings have been adjusted by the authors to a five-year time horizon. Appropriate information was not available to adjust the SSP Applicants study to a five-year time horizon, and thus the SSP Applicants benefit-cost analysis is shown in this synthesis as it appeared in the original study report.

¹¹The NEWWS, SWIM, WRP, and SSP Applicant studies had data for all sample members for five years, and thus all the effects of these programs are observed effects; there is no projection period. The length of the projection periods for the remaining studies are as follows: SSP Recipients, 0-8 months; Jobs First Connecticut, 0-12 months; FTP, 0-15 months; GAIN, 0-2 years; MFIP, 1-2.5 years; Project Independence, 2-3 years; West Virginia CWEP, 2.5-3.5 years; Los Angeles Jobs-First GAIN, 3 years; Cook County WIN Demonstration, 3-3.5 years; San Diego, 3-3.5 years.

time horizon is only five years long, the benefit-cost findings are fairly insensitive to the choice of a 5 percent discount rate.¹²

Methodology Used for Calculating Return on Investment (ROI)

The return on investment (ROI) per net dollar invested by the government is examined for each program and presented from all three perspectives (participant, government budget, and social). ROI estimates are popular with analysts and program operators because they provide a readily interpreted measure of the relative cost-effectiveness of different programs. Thus, they facilitate comparisons among programs. ROI ratios, which are often called “benefit-cost ratios,” measure the benefits received for each dollar the government invested in programs. They are computed by dividing program benefits by program operating costs. As discussed above, the measures of program benefits and operating costs that are used in this report are computed as differences between the program group and the control group.

ROI ratios are subject to several shortcomings that make them less useful (than net value) as a tool for program selection. First, the values of ROI ratios depend on exactly how “benefits” (the numerator) and “costs” (the denominator) are defined. In this report, program effects on earnings, taxes, and transfer payments always appear in the numerator, regardless of whether they are positive or negative, and only program operating costs appear in the denominator (but not in the numerator). Second, ROI ratios may not remain constant if the scale of a program changes. Thus, for example, two programs of different size but with the same ROI ratio are not necessarily equally cost-effective in all future cases, because the ROI ratios could either increase or decrease if the programs became more similar in size. Third, the ROI ratio may not make sense for all the program categories examined in this report. For instance, some earnings supplement programs resulted in savings in operating costs, and thus the return on investment would be measuring the return for every dollar saved rather than the return on each dollar invested. (In these situations, which are rare, the ROI ratio is not presented.) Because of these limitations, the ROI ratios are presented along with each program’s net value and its operating cost. This will help readers keep in mind the differences in program scale.

Chapters 3 through 8 use the methodology described above to present and analyze benefit-cost findings for six categories of welfare-to-work program approaches.

¹²The formula for the present value is $(B_t - C_t)/(1+d)^t$, where B_t and C_t are benefits and costs, respectively, in year t , and d is the discount rate. Using this formula, the present value of a net gain of \$1,000 that was received during each of the five years after entering a welfare-to-work program would be \$4,329 at a discount rate of 5 percent and \$3,791 at a discount rate of 10 percent.

Chapter 3

Mandatory Work Experience Programs

Unpaid work experience programs were tested following passage of the Omnibus Budget Reconciliation Act (OBRA) of 1981, which gave state welfare agencies greater freedom to plan and carry out their own employment initiatives for welfare recipients. States were permitted to operate work experience programs, in which welfare recipients who were not explicitly exempt from a welfare program participation requirement could be required to work in the public and nonprofit sectors in exchange for their welfare benefits; in the past, states had been allowed to run such programs only if they applied for special waivers.

Although all the welfare-to-work programs included in this synthesis shared the goal of increasing the self-sufficiency of welfare recipients, sometimes recipients do not have the skills or experience that employers require. One method of attempting to make recipients more job-ready is to increase their work experience through unpaid jobs, which usually are located at government agencies or nonprofit institutions. However, a key emphasis of mandatory work experience programs is on reducing welfare caseloads and the cost of welfare programs, in that unpaid work experience assignments might deter welfare recipients from staying on welfare. Many programs include unpaid work experience as one of several program components. However, the studies of the three programs examined in this chapter were designed in a way that allows the costs and benefits of unpaid work experience to be isolated.

Both the Cook County Work Incentive (WIN) Demonstration and San Diego benefit-cost analyses compared a group of welfare recipients who were required to participate in job search with a group who were also required to participate in job search but, if employment was not found while they were participating in job search, could then be assigned to an unpaid work experience position. This comparison allows the effects of work experience to be isolated — albeit for people who all first went through a job search “screen” — because random assignment was used to allocate the welfare recipients to the two programs. Participation in work experience was limited to about three months. Notably, because the control group did receive services, the benefit-cost analyses described in this synthesis for these two programs compare two different program models — ones with and without work experience — rather than comparing these programs with a no-offered-services situation.¹

¹Both the Cook County WIN and the San Diego program were studied using a three-group random assignment design, which created a control group, a job-search-only group, and a job search/work experience group. Only the job-search-only group and the job search/work experience group are compared in this report.

The West Virginia Community Work Experience Program (CWEP) required welfare recipients to participate in a work experience position in exchange for their welfare benefits. Given the high level of unemployment in West Virginia at the time, individuals did not first go through job search; rather, they were initially assigned to work experience positions because it was thought that they were highly unlikely to find jobs and that the work performed in work experience positions could provide benefits to the state, as well as job experience to welfare recipients. The control group in the study of this program could not participate in CWEP. Both research groups were eligible for employment and training activities other than CWEP, but the availability of these services was limited in West Virginia. Thus, the benefit-cost analysis for the West Virginia program compares a program model that consisted almost entirely of work experience with something very close to a no-offered-services situation.

Box 3.1 describes how the return on investment (ROI) is computed for each of the three benefit-cost perspectives used in this synthesis.

Benefit-Cost Estimates

The findings summarized in this chapter support the following conclusions regarding programs that include required unpaid work experience:

- The emphasized goal of these work experience programs was to reduce welfare expenditures, either by moving people quickly into the job market or by deterring them from remaining on welfare. Thus, the most salient perspective from which to assess these programs is the government perspective. From this perspective, two out of three of these programs resulted in small net losses, and one produced a modest net gain.
- From the participant perspective, work experience programs produced small net gains or broke even.
- Notably, these programs also provided an important benefit to society at large in the value of output produced at work experience jobs. As a consequence, they all had positive net benefits from the social perspective.

As shown in the middle panel of Figure 3.1, from the government budget perspective, two of the work experience programs (West Virginia CWEP and Cook County WIN) had net losses of under \$400, and one program (San Diego) generated modest net gains. Table 3.1 shows that West Virginia CWEP had operating costs that were greater than the savings in welfare payments, while the Cook County WIN Demonstration resulted in increases in welfare payments that were greater than the increases in tax revenue that it also generated. The San Diego program generated tax revenue increases and transfer program savings that, together, ex-

Box 3.1

How Is the Return on Investment (ROI) Computed for Each Perspective?

Participant ROI

These ratios are computed by dividing the net gain or loss that accrues to participants (from increases in earnings, fringe benefits, and taxes and from reductions in transfer payments) by program operating costs. For example, the ROI ratio of -0.32 for West Virginia CWEP, which is shown in Table 3.1, is computed by dividing the government's operating cost of \$505 into the participant net value of $-\$163$. In this case, the ROI is negative because the net value for participants is negative. If participant income had increased, the ratio would have then been positive. The ratio for the West Virginia program implies that participants in the program were 32 cents worse off for every dollar the government invested. Notice that the participant ROI ratio measures the change in participant income per dollar invested in the program by the government, not by the participants themselves.

Government Budget ROI

These ratios are calculated by dividing the gain to government budgets (from increased tax revenues and savings in transfer program payments and associated administrative costs) by program operating costs. For example, the ratio of 0.35 for West Virginia CWEP was computed by dividing the program's operating costs (\$505) into the government's net value less its operating cost [$-\$328 - (-\$505) = \$177$]. Subtracting the operating cost from the net value is necessary in order to expunge the numerator of the ROI ratio of program operating costs. As shown in Table 2.1, net benefits and net losses from the government budget perspective include operating costs. An ROI ratio in excess of 1 implies that the government's return on its investment in a program was in excess of its cost, while a ratio of less than 1, such as in the case of West Virginia CWEP, means that it did not recoup its investment. In the West Virginia program, the government received 35 cents for each dollar it invested.

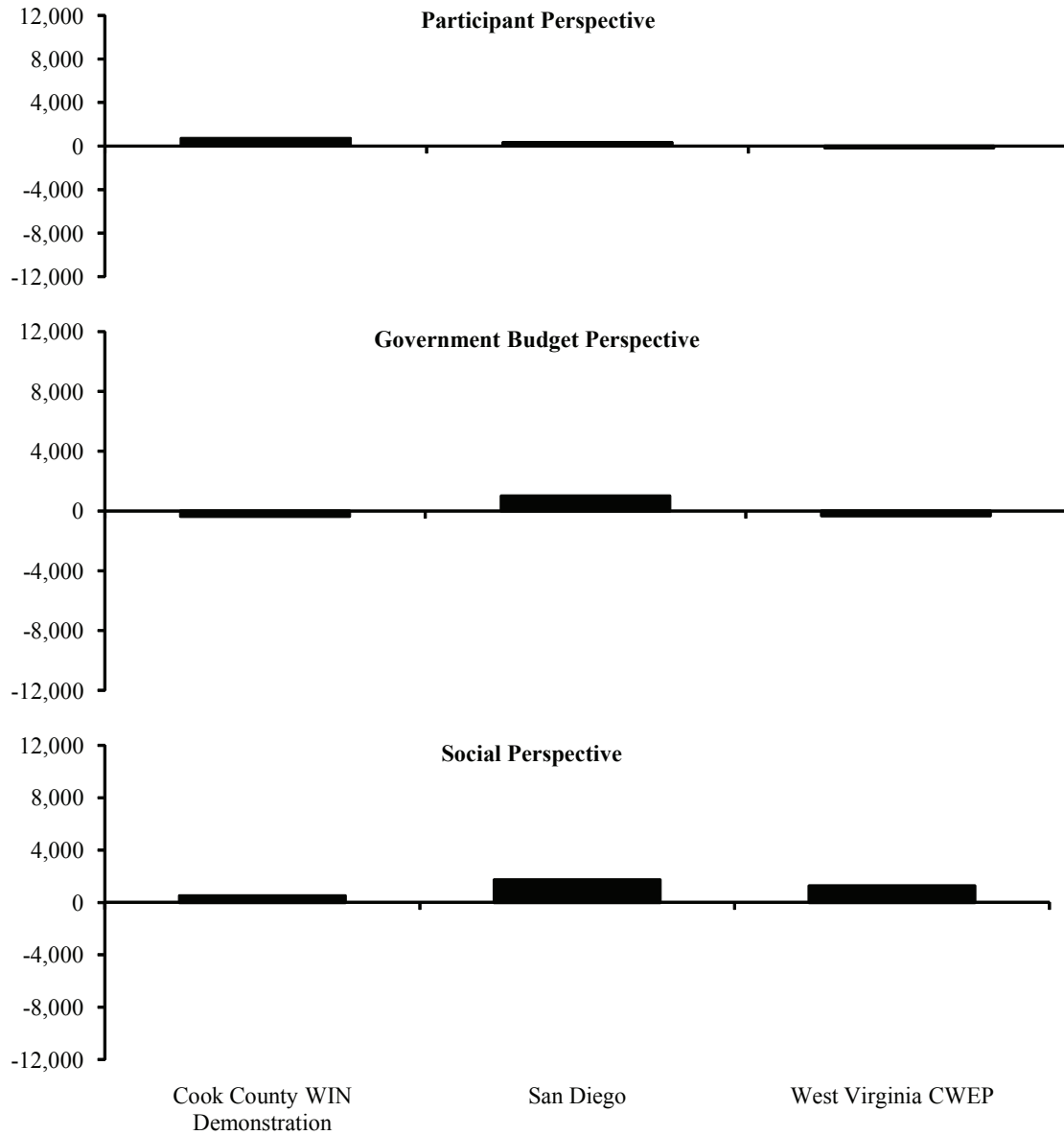
Social ROI

These ratios are computed by dividing the gain to society (measured as a program's effect on earnings, fringe benefits, administration savings in operating transfer programs, and the value of output produced at work experience jobs) by program operating costs. Thus, the ratio of 3.5 for West Virginia CWEP was computed by dividing the program's operating costs (\$505) into the social net gain resulting from the program less the program's operating cost [$-\$1,261 - (-\$505) = \$1,766$]. Subtracting the operating cost from net benefits is necessary in order to expunge the numerator of the ROI ratio of program operating costs. As shown in Table 2.1, social net benefits and net losses include operating costs. Unless a program has negative effects on earnings or the control group had higher-cost services than the program group, the social ROI ratio must be positive. A value of greater than 1 implies that society has received more than a dollar back for each public dollar invested in the program, as is the case for West Virginia CWEP, but a ratio of less than 1 indicates that it did not. In the West Virginia program, society received \$3.50 for every dollar invested in the program.

Welfare-to-Work Program Benefits and Costs

Figure 3.1

Mandatory Work Experience Programs: Five-Year Estimated Net Value per Program Group Member (in 2006 dollars)



SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.2, B.3, and B.4.

ceeded the program's operating costs, leading to a net benefit of \$1,002 from the government's perspective. The government's ROI ratio ranged from -5.40 in Cook County to 8.17 in San Diego. The return to government from the Cook County WIN Demonstration was negative because transfer payments increased; as a consequence, the government spent an additional \$5.40 for every dollar it invested in the program. However, program operating costs were very small, so the government did not, in fact, spend many additional dollars. In San Diego, the government received over \$8 back for each dollar it invested.

Though the emphasized goal implies that the government budget perspective should be used to assess mandatory work experience programs, it is still important to see how these programs affect participants. In general, work experience programs led to small net gains or were close to breaking even from the participant perspective. Participants in the Cook County WIN and San Diego programs experienced net gains because the earnings and fringe benefits of those who left the program for regular employment increased as a result of the program (that is, in comparison with those who were only required to participate in job search). The Cook County WIN Demonstration program was, in addition, the only work experience program to result in increased transfer payments.² West Virginia CWEP was near the breakeven point from the participant perspective, even though earnings and welfare payments both fell. The return to participants per dollar invested by the government ranged from -0.32 to 12.40 (Table 3.1). Partially due to very low operating costs, the Cook County WIN Demonstration program generated \$12.40 for participants for every dollar invested by the government. In general, all the work experience programs required only a small additional investment by the government in order to operate their work experience component. It should be kept in mind, however, that two of the work experience programs implemented the work experience component only for those who failed to find a job during an initial job search period.

There is also an important potential benefit from work experience programs that accrues to neither program participants nor the government budget but to the whole of society: the value of the output produced at work experience jobs. The value of this output was estimated to be \$1,752 per participant in West Virginia CWEP, \$409 per participant in the San Diego program, and \$182 per participant in the Cook County WIN Demonstration (not shown). The value is much larger in West Virginia than in the other two sites because a much larger proportion of the program group members were actually employed at work experience jobs and they remained in these jobs much longer.

²It is not clear why this was the case. While welfare payments were greater for the job-search-only group than for job search/work experience group in the Cook County WIN program, tests were not performed to determine whether this difference was statistically significant. The difference between the two program variants is fairly small and, hence, may not be statistically significant and may be due to sampling error, as opposed to being a real difference.

Welfare-to-Work Program Benefits and Costs

Table 3.1

Mandatory Work Experience Programs: Five-Year Estimated Operating Costs, Net Value, and ROI per Program Group Member (in 2006 dollars)

Program	Accounting Perspective		
	Participant	Government Budget	Social
<u>Cook County WIN Demonstration</u>			
Operating cost	NA	\$57	\$57
Net gain or net loss (net value)	\$707	-\$365	\$503
Return per net dollar invested by the government (ROI)	12.40	-5.40	9.82
<u>San Diego</u>			
Operating cost	NA	\$140	\$140
Net gain or net loss (net value)	\$310	\$1,002	\$1,720
Return per net dollar invested by the government (ROI)	2.22	8.17	13.32
<u>West Virginia CWEP</u>			
Operating cost	NA	\$505	\$505
Net gain or net loss (net value)	-\$163	-\$328	\$1,261
Return per net dollar invested by the government (ROI)	-0.32	0.35	3.50

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.2, B.3, and B.4.

See Box 3.1 for an explanation of how to calculate the ROI from each perspective.

The three work experience programs reviewed in this chapter were generally successful, or at least not highly unsuccessful, in achieving their emphasized goal of reducing welfare expenditures, as the programs either had small net gains or broke even from the government perspective. In addition, participants generally had small net gains or broke even. Furthermore, output of some value was produced on work experience jobs. The fact that the three reviewed work experience programs performed as well as they did may have been unanticipated. However, their net gains were very small relative to the programs discussed in subsequent chapters. Moreover, unpaid work experience programs have a lower bar to cross to be beneficial from the government perspective because their operating costs are generally small. As was the case in the San Diego and Cook County programs, in today's environment it would be likely that a work experience component would be added to other program features, and it would be unlikely for it to be the sole component of a welfare-to-work program (as it was in the West Virginia program).

Chapter 4

Mandatory Job-Search-First Programs

Mandatory job-search-first programs require participation in job search activities upon entering the program. The goal is to make welfare recipients more self-sufficient and to move recipients into employment as quickly as possible, thereby reducing welfare expenditures. In addition, some policymakers and policy analysts think that any job, even a low-paying or temporary one, is the most cost-effective way to build skills that will lead to better jobs.

Rigorous research in the early 1980s demonstrated that job-search-only programs sped up the entry of welfare recipients into the labor market. Typically, however, the jobs were neither long-lasting nor high-paying, and they did not increase family income. Furthermore, the programs generally did not benefit the most disadvantaged welfare recipients. In reaction to these findings, the five mandatory job-search-first programs that are included in this synthesis offered enhanced services that were designed to help even highly disadvantaged welfare recipients find jobs through organized group job clubs, supervised job search, enhanced job club classes, and greater knowledge of job openings resulting from job development activities conducted by program staff.

Three of the five benefit-cost studies that are reviewed in this chapter were evaluated as part of the National Evaluation of Welfare-to-Work Strategies (NEWWS), which was mandated by the federal Family Support Act (FSA), and a fourth program analyzed in this chapter began after the passage of FSA as well.¹ Enacted in 1988, FSA required the states to provide education, employment, and support services to adults receiving cash welfare assistance, known at the time as Aid to Families with Dependent Children (AFDC). Recipients of welfare were required to participate in the Job Opportunities and Basic Skills Training (JOBS) programs created under FSA. Many mandatory job-search-first programs continued to operate (with some modification) after passage of the 1996 federal welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) because many of the goals, mandates, and program strategies first spelled out in FSA underpin PRWORA as well.

FSA introduced some important new features to state welfare systems. Through its mandates and incentives, it encouraged state and local program administrators to serve welfare populations with whom they previously had had little contact and to experiment with new types of services, messages, and mandates. For the first time, for example, the majority of single-

¹The Saturation Work Initiative Model (SWIM) is the only program analyzed in this chapter that began before FSA. It operated in the mid to late 1980s.

parent AFDC recipients were required to work or engage in activities aimed at preparing them for work. This mandate included recipients with children as young as age 3 (or, at state discretion, as young as age 1). In addition, FSA mandated that programs reserve at least 55 percent of federal welfare funds to provide services to welfare recipients who were deemed at greatest risk of long-term welfare dependency. FSA further required enrollees to participate in employment preparation activities for as long as they remained on AFDC. Case managers were expected to monitor recipients' participation in program activities and to respond to nonparticipation by using a variety of informal and formal measures, including reductions of welfare grants.

All five of the mandatory job-search-first programs that are included in this synthesis encouraged quick entry into work and strongly enforced the participation mandates, but the approach of each program was slightly different. The Atlanta Labor Force Attachment (LFA) NEWS, Grand Rapids LFA NEWS, and Riverside LFA NEWS programs started individuals in job clubs and encouraged participants to find a job as quickly as possible. In addition, the Riverside LFA NEWS program had full-time job developers to help place program enrollees in unsubsidized jobs.

The Los Angeles Jobs-First GAIN (Greater Avenues for Independence) program strongly encouraged work. For example, caseworkers demonstrated to program participants that, by combining work and welfare, they could increase the income of their families. (This information was also available to members of the control group, but a special point was made of communicating it to program group members.) The program also provided high-quality job search assistance, an intensive orientation as to what was expected of program participants, and job developers who helped participants gain employment. Although the LA Jobs-First GAIN program did not operate under welfare time limits, staff warned participants that time-limited welfare was coming, and they urged them to get a job right away to preserve their eligibility for assistance.

The Saturation Work Initiative Model (SWIM) involved a fixed sequence of activities that were intended to encourage work: two weeks in a job search workshop, followed by three months in unpaid work experience and a biweekly job club for participants who did not find a job while in the job search workshop. Finally, participants who had still not found employment by the end of their work experience obligation were referred to community-provided education and training. Operated as a demonstration program, SWIM thus presaged some of the program features encouraged by FSA.

All five programs targeted both new welfare applicants and people who were already receiving welfare at the start of the study (referred to as "recipients"). However, the participation mandate for women with young children varied by program. SWIM required participation for welfare recipients with no children under age 6; the Atlanta LFA NEWS, Riverside LFA

NEWWS, and Los Angeles Jobs-First GAIN programs required participation for welfare recipients with no children under age 3; and the Grand Rapids LFA NEWWS program required participation for welfare recipients with no children under age 1.

The control groups in all five programs had no participation mandate and were not eligible to receive the welfare-to-work services provided by the evaluated programs, but they could access services that were otherwise available in the community. All NEWWS control group members were barred from program services through Year 3, but in Years 4 and 5 some control group members were offered access to these services.² Thus, the benefit-cost analyses for these five programs compared job-search-first programs with fairly long-term no-offered-services situations.

Benefit-Cost Estimates

The findings summarized in this chapter support the following conclusions regarding mandatory job-search-first programs:

- Mandatory job-search-first programs were intended to quickly reduce welfare expenditures by getting participants into jobs. Inasmuch as the most emphasized goal was to reduce welfare expenditures, this synthesis views the government perspective as the most salient one to use in assessing these programs. From the government perspective, these programs usually resulted in substantial net gains and in a return on investment (ROI) greater than 1.
- It was also hoped that mandatory job-search-first programs would eventually increase participants' income as individuals gained experience in the labor market. However, from the participant perspective, these programs resulted at best in small net gains and at worst in substantial net losses. Although the earnings of participants increased as a result of these programs, this change was offset by reductions in the public assistance benefits they received.
- As mentioned in Chapter 2, the social perspective is usually the sum of the participant and government perspectives. From the social perspective, mandatory-job-search programs usually had net gains, but this is mostly a result of the substantial net gains to the government budget that they produced.

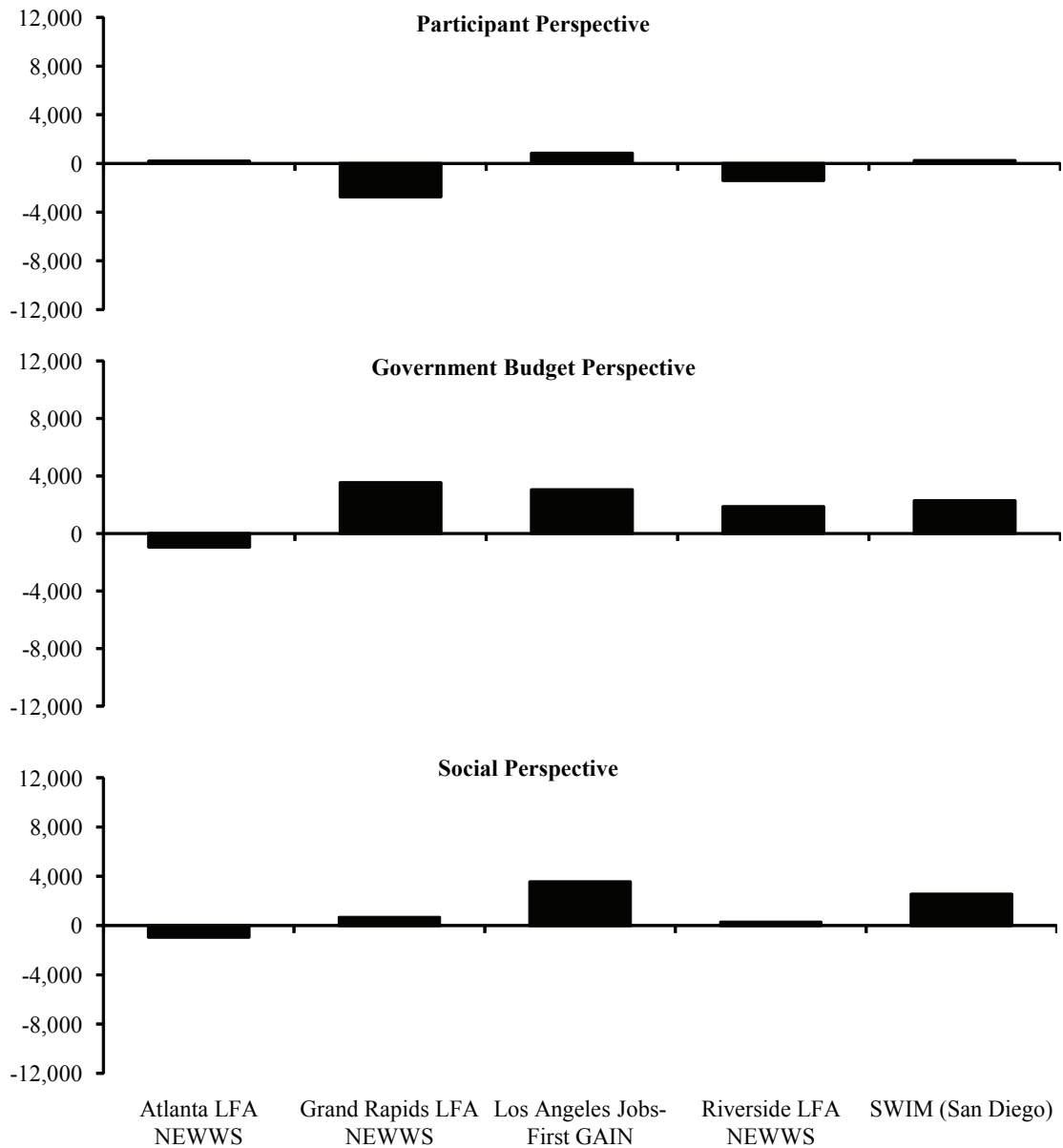
As shown in the middle panel of Figure 4.1, from the government budget perspective, mandatory job-search-first programs were successful in achieving their emphasized goal: Four

²The NEWWS evaluators determined that the control group's exposure to welfare-to-work services in Years 4 and 5 had only a small effect, if any, on the program impacts.

Welfare-to-Work Program Benefits and Costs

Figure 4.1

Mandatory Job-Search-First Programs: Five-Year Estimated Net Value per Program Group Member (in 2006 dollars)



SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.5, B.6, and B.7.

out of the five mandatory job-search-first programs resulted in large net gains, but the Atlanta LFA NEWWS program resulted in net losses of -\$932. All five programs resulted in savings in transfer payments, and most produced increases in tax revenues. Table 4.1 shows that the ROI ratio for the government ranges from 0.81 for the Atlanta LFA NEWWS program to 2.77 for the Los Angeles Jobs-First GAIN program, implying that, for every dollar it invested, the government recouped between 81 cents and \$2.77.

Though the government budget perspective reflects the most emphasized goal, mandatory job-search-first programs were also meant to increase participant income, at least over the longer run as employed former welfare recipients gained experience and skills. However, these programs resulted at best in small net gains for participants and at worst substantial net losses for participants. As shown in Figure 4.1, three programs produced small net gains in income for participants: Atlanta LFA NEWWS, SWIM, and Los Angeles Jobs-First GAIN. All five programs resulted in higher earnings and fringe benefits and in reductions in transfer payments. Benefits from the participant perspective were generated if participants were able to compensate for their losses of transfer payments with increases in earnings, fringe benefits, and Earned Income Tax Credit (EITC) payments. This did not occur in the case of the Grand Rapids LFA NEWWS and the Riverside LFA NEWWS programs.

The returns to participants per dollar invested by the government (participant ROI ratios) range from -1.13 in Grand Rapids to 0.49 in Los Angeles (Table 4.1), with the sign on the ratio dependent on whether participants had net gains or losses as a result of the program. Thus, depending on the program, participants lost as much as \$1.13 or gained as much as 49 cents for every dollar invested by the government.

Only two mandatory job-search-first programs had net gains from both the participant and the government budget perspective: LA Jobs-First GAIN and SWIM. In general, the mandatory job-search-first programs achieved the goal that they most emphasized, as they tended to result in net gains from the government budget perspective. However, these programs tended to make participants either only slightly better off or considerably worse off.

Welfare-to-Work Program Benefits and Costs

Table 4.1

Mandatory Job-Search-First Programs: Five-Year Estimated Operating Costs, Net Value, and ROI per Program Group Member (in 2006 dollars)

Program	Accounting Perspective		
	Participant	Government Budget	Social
<u>Atlanta LFA NEWWS</u>			
Operating cost	NA	\$4,809	\$4,809
Net gain or net loss (net value)	\$196	-\$932	-\$946
Return per net dollar invested by the government (ROI)	0.04	0.81	0.80
<u>Grand Rapids LFA NEWWS</u>			
Operating cost	NA	\$2,405	\$2,405
Net gain or net loss (net value)	-\$2,729	\$3,521	\$654
Return per net dollar invested by the government (ROI)	-1.13	2.46	1.27
<u>Los Angeles Jobs-First GAIN</u>			
Operating cost	NA	\$1,721	\$1,721
Net gain or net loss (net value)	\$837	\$3,044	\$3,552
Return per net dollar invested by the government (ROI)	0.49	2.77	3.06
<u>Riverside LFA NEWWS</u>			
Operating cost	NA	\$4,018	\$4,018
Net gain or net loss (net value)	-\$1,386	\$1,870	\$264
Return per net dollar invested by the government (ROI)	-0.34	1.47	1.07
<u>SWIM (San Diego)</u>			
Operating cost	NA	\$1,692	\$1,692
Net gain or net loss (net value)	\$234	\$2,266	\$2,549
Return per net dollar invested by the government (ROI)	0.14	2.34	2.51

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.5, B.6, and B.7.

See Box 3.1 for an explanation of how to calculate the ROI from each perspective.

Chapter 5

Mandatory Education-First Programs

Mandatory education-first programs usually require participation in education or training activities prior to job search activities. The theory is that individuals need to improve their skills first; then, when they look for work, they will be eligible for more jobs and for better jobs (that is, jobs with higher wages and more benefits). Like job-search-first programs discussed in Chapter 4, the goal of education-first programs is to get more recipients into work. Compared with job-search-first programs, however, more is initially invested in education-first program participants in the hope of reaping greater long-term benefits.

All six of the mandatory education-first programs discussed in this chapter began after the federal Family Support Act (FSA) was passed in 1988, and they were all evaluated as part of the National Evaluation of Welfare-to-Work Strategies (NEWWS). In addition to the changes brought about by FSA that are discussed in Chapter 4, FSA also required states to provide new types of services to welfare recipients, including adult education — that is, high school or General Educational Development (GED) exam preparation classes, basic and remedial education, and English as a Second Language (ESL) classes. In addition, teenage custodial parents without a high school diploma or GED were required to return to classes to obtain one of these credentials.

All six programs in this category required a skill-building activity at the beginning of participation in the program. The most common of these activities were GED preparation classes or Adult Basic Education (ABE). Program sample members could also participate in English as a Second Language (ESL), vocational training, or employment training classes.

Despite their similar focus on skill-building, these six programs differed in the intensity of the message that they conveyed to participants and in the design of the programs. All the education-first programs emphasized taking part in skill-building prior to looking for a job. However, midway through the study period, clients in the Detroit program were required to participate in job search prior to skill training. In addition, in contrast to the other education-first programs, the Riverside Human Capital Development (HCD) program was limited to individuals without a high school diploma or GED or who had low reading and math literacy test scores.

The programs also varied in the case management strategy that they followed. For instance, the Columbus Integrated program is the only program in this category that had an integrated case management approach, whereby one case manager fulfilled both the duties related to benefit payments and the provision of employment-related services. In traditional case management, these duties are performed by separate case managers. Another difference among

the programs in this category is the level of enforcement of the participation mandate. The Detroit program can be characterized as only weakly enforcing the mandate. The Columbus Traditional, Columbus Integrated, and Grand Rapids HCD programs, in contrast, frequently invoked sanctions for nonparticipation by reducing welfare payments. The Atlanta HCD and Riverside HCD programs can both be characterized as high-enforcement programs. Furthermore, the participation mandate itself varied by program: The Atlanta HCD, Riverside HCD, Columbus Integrated, and Columbus Traditional programs required participation by welfare recipients with no children under age 3, whereas the Grand Rapids HCD and Detroit programs required participation by welfare recipients with no children under age 1.

The control groups in the tests of all six programs did not have a participation mandate and were not eligible to receive the welfare-to-work services provided to the program group, but they could access services that were available in the community. All the NEWWS control group members were barred from welfare-to-work services through Year 3, but in Years 4 and 5 some control group members were offered access to welfare-to-work services.¹ Thus, the benefit-cost analyses for these six programs compared education-first interventions with fairly long-term no-offered-services situations.

Benefit-Cost Estimates

The findings summarized in this chapter support the following conclusions regarding mandatory education-first programs:

- Mandatory education-first programs were intended to increase participants' income, but not until after they had completed their course of study. As increasing participants' income was the most emphasized goal of these programs, the participant perspective seems to be the most salient one to examine. Mandatory education-first programs, which typically emphasized GED preparation classes or Adult Basic Education, did not achieve their goal of increasing participants' income: These programs resulted in small net gains or in fairly substantial net losses from the participant perspective. Consistent with the net values, the participant return-on-investment (ROI) ratios are either negative or, when positive, small.
- From the government perspective, initial outlays were expected to be higher than for mandatory job-search-first programs, but savings — or at least break-even situations — were hoped for in the long run. These programs usually

¹The NEWWS evaluators determined that the control group's exposure to welfare-to-work services in Years 4 and 5 had only a small effect, if any, on the program impacts.

resulted in small net losses or small net gains from the government budget perspective and large net losses from the social perspective. Consistent with the net values, most of the government and social ROIs are less than 1 in value, meaning that for every dollar invested, less than a dollar was returned.

The benefit-cost estimates for the six education-first programs are shown in Figure 5.1. Benefit-cost estimates for Riverside HCD are included; however, this is the only education-first program that primarily limited program eligibility to welfare recipients who did not have a high school diploma or who had a high school diploma or GED but had low reading and math test scores. Thus, the Riverside HCD program served a more disadvantaged group of individuals who were likely to receive welfare for a relatively long period of time and participate in higher-cost education services.

Mandatory education-first programs emphasized increasing participants' income after they finished their coursework. Yet these mandatory education-first programs, which typically emphasized GED preparation classes or Adult Basic Education, did not achieve the goal of increasing participants' income. Net gains from the perspective of program participants were found for only the Atlanta HCD NEWS and the Detroit NEWS programs and, in both cases, by an amount of less than \$600 (Figure 5.1). Even though program group members in most of the education-first programs increased their earnings and fringe benefits, their losses from reduced welfare receipts, food stamp receipts, and Medicaid availability usually exceeded their increase in earnings.² Consistent with the net values, the ROI ratio was negative for participants in four of the programs and positive but close to zero for participants in the other two programs (Table 5.1).

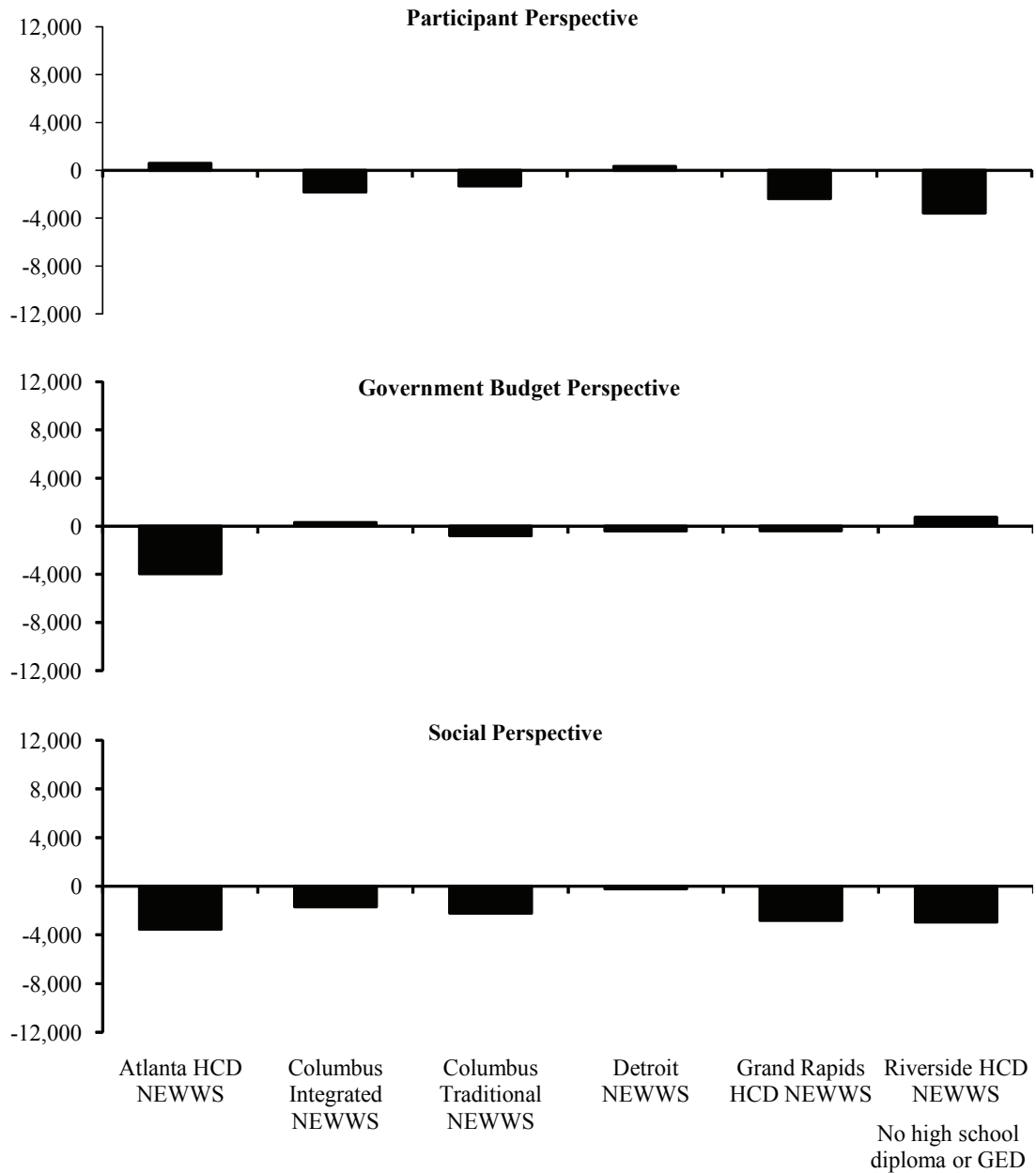
The lack of success of mandatory education-first programs in increasing the incomes of participants was surprising to many policymakers at the time the evaluations were conducted, because it was thought that a deficiency of human capital on the part of many welfare recipients was a key barrier to their success in the labor market. It is not entirely clear why these programs were not more successful in this respect. Most of the courses, however, were remedial in nature, and many participants did not achieve a level of skill mastery where they received a credential — for example, a GED or a training certificate — that might have had a payoff in the labor market.

²As noted in Chapter 2, the MDRC benefit-cost studies included only benefits that occurred within five years after an individual was assigned to a welfare-to-work program. It is sometimes argued that the earnings effects of programs that provide education should persist for many years. However, one recent study found that, in the case of education-first welfare-to-work programs, earnings effects began to decline two or three years after initial program participation and fell to zero after five or six years (Greenberg, Ashworth, Cebulla, and Walker, 2004).

Welfare-to-Work Program Benefits and Costs

Figure 5.1

Mandatory Education-First Programs: Five-Year Estimated Net Value per Program Group Member (in 2006 dollars)



SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.8, B.9, and B.10.

Welfare-to-Work Program Benefits and Costs

Table 5.1

Mandatory Education-First Programs: Five-Year Estimated Operating Costs, Net Value, and ROI per Program Group Member (in 2006 dollars)

Program	Accounting Perspective		
	Participant	Government Budget	Social
<u>Atlanta HCD NEWWS</u>			
Operating cost	NA	\$6,632	\$6,632
Net gain or net loss (net value)	\$569	-\$3,943	-\$3,545
Return per net dollar invested by the government (ROI)	0.09	0.41	0.47
<u>Columbus Integrated NEWWS</u>			
Operating cost	NA	\$5,062	\$5,062
Net gain or net loss (net value)	-\$1,804	\$295	-\$1,680
Return per net dollar invested by the government (ROI)	-0.36	1.06	0.67
<u>Columbus Traditional NEWWS</u>			
Operating cost	NA	\$4,565	\$4,565
Net gain or net loss (net value)	-\$1,303	-\$781	-\$2,204
Return per net dollar invested by the government (ROI)	-0.29	0.83	0.52
<u>Detroit NEWWS</u>			
Operating cost	NA	\$2,485	\$2,485
Net gain or net loss (net value)	\$317	-\$401	-\$205
Return per net dollar invested by the government (ROI)	0.13	0.84	0.92
<u>Grand Rapids HCD NEWWS</u>			
Operating cost	NA	\$4,566	\$4,566
Net gain or net loss (net value)	-\$2,370	-\$374	-\$2,816
Return per net dollar invested by the government (ROI)	-0.52	0.92	0.38
<u>Riverside HCD NEWWS^d</u>			
No high school diploma or GED			
Operating cost	NA	\$5,533	\$5,533
Net gain or net loss (net value)	-\$3,571	\$735	-\$2,952
Return per net dollar invested by the government (ROI)	-0.65	1.13	0.47

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.8, B.9, and B.10.

See Box 3.1 for an explanation of how to calculate the ROI from each perspective.

^aRiverside HCD NEWWS is not comparable to the other programs because of eligibility restrictions that limited the program sample to those who did not have a high school diploma or GED or who had low reading and math test scores.

Moreover, those who were enrolled in the courses were required to take them, when they may have preferred not to. After all, many welfare recipients have not had especially successful experiences with the education system in the past.³ Thus, the findings for mandatory education-first welfare-to-work programs obviously should not be extrapolated to represent the more intensive educational and vocational training courses in which individuals *elect* to participate.

Although the participant perspective reflects the emphasized goal, mandatory education-first programs hoped that the government would break even on these programs over time, by keeping those who enter employment from returning to the welfare rolls. Mandatory education-first programs produced net gains from the perspective of the government budget for two of the six programs (Columbus Integrated and Riverside HCD NEWWS programs), but the net gains were fairly small (Figure 5.1). All six programs saved the government money by reducing welfare, food stamps, and Medicaid benefits, and five of the programs increased tax revenue. However, these programs were fairly expensive to operate (Table 5.1). Except for the Columbus Integrated and the Riverside HCD NEWWS programs, the transfer payment savings and increases in tax revenue were not sufficient to cover these costs. For two programs (Detroit NEWWS and Grand Rapids HCD NEWWS), the net loss per participant was less than \$500 — close to breaking even from the government budget perspective. However, expenditures on education were a large part of the cost of these two programs, accounting for 80 percent and 58 percent of operating costs, respectively, if basic education, postsecondary education, and vocational training costs are all counted. Their costs may be understated because the price of education has outpaced inflation. Consistent with the net value results, the government's return on its investment was less than one dollar per dollar invested for all the education-first programs, except for the Columbus Integrated NEWWS and the Riverside HCD NEWWS programs (Table 5.1).

Because education-focused programs are relatively costly to operate, they set a high bar in terms of the level of welfare, food stamps, and Medicaid payments that need to be saved for them to break even from the government budget perspective. From the participant perspective, increases in earnings and fringe benefits need to be fairly large to make up for losses in transfer payments. The Detroit NEWWS program was the only education-first program that produced net gains or at least came close to breaking even from both the participant and the government perspective; however, midway through its evaluation, this program became more similar to a job-search-first program than an education-first program. It was also, by far, the least expensive of the programs within the education-first category.

³Notably, in the Atlanta, Grand Rapids, and Riverside NEWWS programs, only 8 percent of the study sample members stated at the time of random assignment that they wanted to go back to school to study reading and math; most preferred to get specific skills training (about 60 percent) or help in looking for a job (about 30 percent). See Gueron and Hamilton (2002).

Chapter 6

Mandatory Mixed-Initial-Activity Programs

Mixed-initial-activity programs are a type of mandatory employment services program that varies the initial activity in which different individuals participate, usually on the basis of their personal characteristics. Upon program enrollment, individuals are assigned either to an education or training activity or to a job search activity, based on their needs. Those initially assigned to an education activity can later be assigned to job search, and those initially assigned to job search can later be assigned to an education or training activity if they do not find a job.

Mixed-initial-activity programs were first initiated in reaction to programs that required welfare recipients to look for work that many states operated in the late 1970s or early 1980s. Although these job-search-only programs increased employment and reduced welfare spending, the employment gains were smaller for recipients who faced the most serious barriers.¹ The eight mandatory mixed-initial-activity programs that are examined in this chapter began either a couple of years prior to or soon after the passage of the Family Support Act (FSA) of 1988. FSA, which is described in detail in Chapter 4, pushed states to target particularly disadvantaged recipients and to provide them with education or training that would build skills to make it easier for them to find jobs.

The goal of the mixed-initial-activity programs is to move welfare recipients into work and make them less reliant on welfare. The mandatory mixed-initial-activity programs represent a compromise between two competing approaches to welfare reform: mandatory job search and mandatory education. Mandatory job search programs emphasize quick entry into the labor market and are intended to reduce dependency through employment and to offer opportunities for career advancement through gaining experience on the job. Mandatory education programs, in contrast, emphasize increasing skills to expand employment opportunities; thus, in offering such programs, it is hoped that they will reduce long-term dependency by decreasing the rate at which former recipients return to welfare. By assigning some participants to training or education initially and others to job search initially, mixed-initial-activity programs seek to take the best of both approaches. (Chapters 4 and 5 discuss, respectively, mandatory job-search-first programs and mandatory education-first programs. Also see Boxes 6.1 and 6.2 at the end of this chapter.)

The eight programs in the mixed-initial-activity category can be further categorized according to their overall emphasis: Three of them were strongly employment-focused (Portland

¹For a summary of these findings, see Gueron and Pauly (1991).

NEWWS, Project Independence, and Riverside GAIN),² while the other five were more education-focused. The creators of some of these latter programs may have decided to be more education-focused to better serve the program's target group; for instance, both Alameda GAIN and Los Angeles GAIN were education-focused — in part, because they drew their participants entirely from among long-term welfare recipients, a group that is more likely to be in need of basic education. In employment-focused mixed-initial-activity programs, staff urged participants to find work as soon as possible. Thus, the education or training activities were designed to be short term. In education-focused mixed-initial-activity programs, participants were allowed to enroll in education programs with less urgency attached to going to work. This latter distinction, though based on detailed studies of the programs' implementation, is less clear-cut than distinctions based on the initially assigned activity.

All the mixed-initial-activity programs assigned participants either to education or to job search activities. However, the message delivered to them differed by program. Both the Portland NEWWS and the Project Independence program assigned most participants to a job search activity initially. Portland NEWWS assigned most participants to group job club first, while Project Independence assigned most of its participants to independent job search first, followed by a group job club for those who did not find employment. Portland NEWWS reserved General Educational Development (GED) preparation classes for those who were close to getting a GED certificate, while Project Independence reserved educational activities for those deemed “not job-ready,” which the program defined as having less than a tenth-grade education and employment in fewer than 12 of the previous 36 months. Although Portland NEWWS was employment-focused, the program encouraged participants to be selective in their job search and to wait for a “good” job.

The six GAIN programs, which were run in six different counties in California, were unique in their use of educational and basic skill levels to sort participants into one of two service streams. Those who did not have a high school diploma (or a GED) or who failed to achieve predetermined scores on both parts of a math and reading test were deemed to be “in need of basic education.” These individuals could choose to attend a basic education class or a job search activity first; but, if they chose job search and failed to obtain employment, they were then required to enter basic education. Participants who were deemed “not to need basic education” usually were required to participate in job search first, although participants who were already enrolled in education or training activities at the time they were assigned to GAIN were usually allowed to continue in those activities.

²NEWWS = National Evaluation of Welfare-to-Work Strategies; GAIN = Greater Avenues for Independence.

Although similar in certain respects, the six GAIN programs varied in what they emphasized. For instance, the staff of the strongly employment-focused Riverside GAIN program stressed that work was central and should be sought expeditiously and that offers of low-paying jobs should not be turned down (although participants in need of basic education were still allowed to opt for basic education), whereas the staff of the Alameda GAIN program encouraged participants to be selective about the jobs they took and to take advantage of the education and training the program offered so as to prepare themselves for higher-paying jobs. The GAIN programs in Butte, Los Angeles, San Diego, and Tulare took approaches falling between those of the Riverside and Alameda programs but were generally closer to Alameda's philosophy.

The control groups in all eight benefit-cost studies were not eligible for program services and were not subject to a participation mandate, but they could seek out services available elsewhere in the community.³ The control groups varied in terms of how long they were not eligible for program services, ranging from as little as two years following random assignment for the study of the Project Independence program to five years for the study of the Portland NEWS program. Thus, the benefit-cost analyses for these eight programs compare mandatory mixed-initial-activity programs with fairly long-term no-offered-services situations, similar to the situation for the programs in the job-search-first and education-first categories (Chapters 4 and 5).

Notably, the target populations of three of these programs were different from the populations of other mixed-initial activity programs and, thus, may exhibit different cost-benefit results. In both Alameda and Los Angeles GAIN, all those enrolled were long-term welfare recipients. In contrast, 88 percent of Project Independence sample members were applicants or re-applicants (that is, persons previously on welfare and reapplying for benefits). These differences in sample population should be kept in mind when looking at the results.

Benefit-Cost Estimates

The findings summarized in this chapter support the following conclusions regarding mandatory mixed-initial-activity programs:

³Contrary to the research design, some Project Independence control group members participated in employment-related activities through Project Independence. It was estimated that nearly 8 percent of control group members attended orientation and participated in some employment-related activities, mostly independent job search, through Project Independence (Kemple, Friedlander, and Fellerath, 1995). An additional 12 percent of the control group attended orientation or were referred for a sanction for not attending orientation but did not participate in Project Independence employment-related services. In all, up to an estimated 20 percent of the control group were exposed to some aspect of Project Independence. The cost of these services was included as part of the control group operating costs.

- Mandatory mixed-initial-activity programs attempted to balance a need for fiscal responsibility with an effort to tailor services to participants' individual needs. Thus, these programs are best judged from the perspectives of both the government budget and the participants. Six of the programs in this category enrolled both short-term and long-term welfare recipients, and, in general, these six programs achieved their goal: With a few exceptions, they were cost-beneficial for the government and participants. The remaining two programs in this category limited participation to long-term welfare recipients and did not produce the positive results usually found for the other six mixed-initial-activity programs.

Some of the eight mixed-initial-activity programs produced net gains, and some resulted in net losses from the participant perspective. As shown in Figure 6.1, the net value ranges from a loss of \$2,178 to a gain of \$2,651. Portland NEWWS and Project Independence had net losses for participants of less than \$1,000,⁴ but in Los Angeles GAIN the net losses were over \$2,000. Participants in the remaining five mixed-initial-activity programs enjoyed net gains, which ranged from \$1,323 to \$2,651. All the mixed-initial activity programs caused transfer payment reductions, but participants did not always have earnings and fringe benefit gains that were large enough to offset these losses in transfer payments. Consistent with the net value estimates, the return on investment (ROI) for participants ranged from a loss of 32 cents for each dollar that the government spent to a gain of \$1.19 (Table 6.1). The two programs that targeted long-term welfare recipients had mixed results: Alameda GAIN showed a net gain for participants, whereas Los Angeles GAIN showed a net loss for participants. Four of the remaining six programs showed net gains, and the other two programs showed small net losses. In general, mandatory mixed-initial-activity programs were successful in increasing participant income.

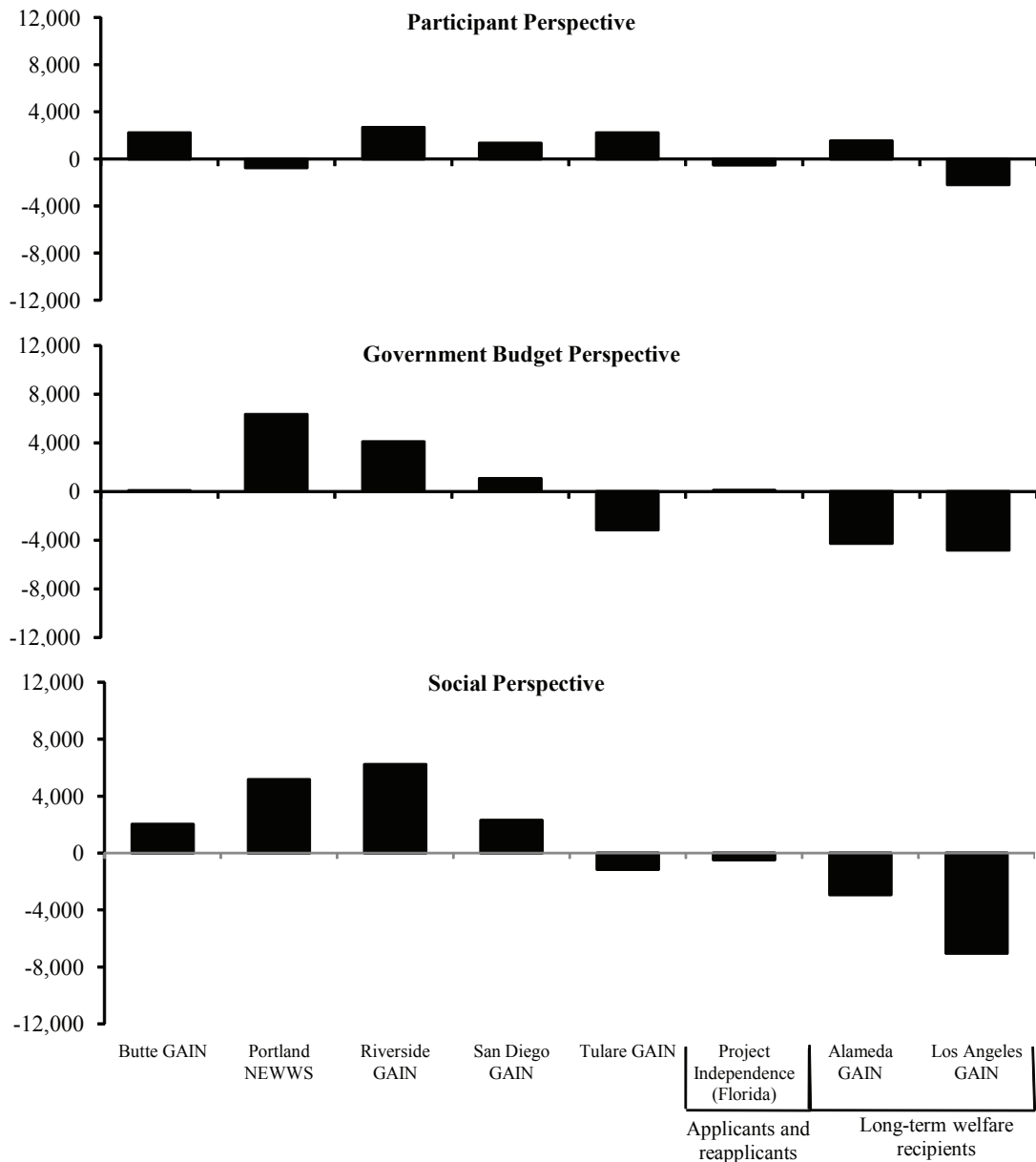
From the government budget perspective, three mixed-initial-activity programs produced net gains (Portland NEWWS, Riverside GAIN, and San Diego GAIN); two more or less broke even (Project Independence and Butte GAIN each had net gains of \$100 or less); and three resulted in net losses (Alameda GAIN, Los Angeles GAIN, and Tulare GAIN). The three programs with net losses from the government budget perspective were comparatively highly education-focused. However, one of the programs that broke even and one of the programs with net gains were also education-focused. The two programs with net gains of over \$4,000 were both employment-focused. Two of the programs with large net losses — Alameda GAIN and Los Angeles GAIN — were very costly programs (Table 6.1) because, relative to the other GAIN

⁴The net loss for Portland was in part due to large reductions in eligibility for Medicaid that resulted from increases in employment. Portland had a large difference between the program group and the control group in number of months of welfare receipt — and therefore also a large difference in the length of Medicaid receipt, which resulted in large reductions in Medicaid.

Welfare-to-Work Program Benefits and Costs

Figure 6.1

Mandatory Mixed-Initial-Activity Programs: Five-Year Estimated Net Value per Program Group Member (in 2006 dollars)



SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.11, B.12, and B.13.

Welfare-to-Work Program Benefits and Costs

Table 6.1

Mandatory Mixed-Initial-Activity Programs: Five-Year Estimated Operating Costs, Net Value, and ROI per Program Group Member (in 2006 dollars)

Program	Accounting Perspective		
	Participant	Government Budget	Social
<u>Butte GAIN</u>			
Operating cost	NA	\$4,053	\$4,053
Net gain or net loss (net value)	\$2,210	\$77	\$2,026
Return per net dollar invested by the government (ROI)	0.55	1.02	1.50
<u>Portland NEWWS</u>			
Operating cost	NA	\$3,467	\$3,467
Net gain or net loss (net value)	-\$745	\$6,337	\$5,169
Return per net dollar invested by the government (ROI)	-0.22	2.83	2.49
<u>Riverside GAIN</u>			
Operating cost	NA	\$2,229	\$2,229
Net gain or net loss (net value)	\$2,651	\$4,096	\$6,221
Return per net dollar invested by the government (ROI)	1.19	2.84	3.79
<u>San Diego GAIN</u>			
Operating cost	NA	\$2,668	\$2,668
Net gain or net loss (net value)	\$1,323	\$1,069	\$2,303
Return per net dollar invested by the government (ROI)	0.50	1.40	1.86
<u>Tulare GAIN</u>			
Operating cost	NA	\$3,815	\$3,815
Net gain or net loss (net value)	\$2,201	-\$3,154	-\$1,143
Return per net dollar invested by the government (ROI)	0.58	0.17	0.70
<u>Project Independence (Florida)</u>			
Applicants and reapplicants			
Operating cost	NA	\$1,605	\$1,605
Net gain or net loss (net value)	-\$515	\$100	-\$479
Return per net dollar invested by the government (ROI)	-0.32	1.06	0.70
<u>Alameda GAIN</u>			
Long-term welfare recipients			
Operating cost	NA	\$7,811	\$7,811
Net gain or net loss (net value)	\$1,521	-\$4,260	-\$2,935
Return per net dollar invested by the government (ROI)	0.19	0.45	0.62
<u>Los Angeles GAIN</u>			
Long-term welfare recipients			
Operating cost	NA	\$8,079	\$8,079
Net gain or net loss (net value)	-\$2,178	-\$4,803	-\$7,042
Return per net dollar invested by the government (ROI)	-0.27	0.41	0.13

(continued)

Table 6.1 (continued)

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.11, B.12, and B.13.

See Box 3.1 for an explanation of how to calculate the ROI from each perspective.

Target populations differed for three programs and thus may exhibit different cost-benefit results: Alameda and Los Angeles GAIN programs were limited to those who were long-term welfare recipients. Project Independence targeted mostly applicants or reapplicants.

programs, much larger investments were made in education and training. (Education and training costs ranged from 1 percent to 69 percent of the government's total investment for the eight mixed-initial activity programs, with the employment-focused Project Independence program's costs being surprisingly at 68 percent.) Consequently, very large transfer payment savings and tax revenue increases would have been required in order for these programs to break even from the government budget perspective. Furthermore, both of these programs restricted program eligibility to long-term welfare recipients, which may have made it more difficult for the programs to generate the needed benefits.

As shown in Table 6.1, the ROI from the government budget perspective was consistent with the government's net value for each program. Both programs that targeted long-term welfare recipients showed sizable net losses for the government budget. Five of the remaining six programs showed net gains (although, for two of these programs, the net gain was so small that it might be better characterized as breaking even). In general, mandatory mixed-initial-activity programs were successful at reducing welfare expenditures.

In summary, mandatory mixed-initial-activity programs were often, but not always, beneficial from the participant perspective and the government budget perspective. Hence, they are generally successful in meeting their emphasized goal of balancing reductions in welfare costs and increases in participant income.

Box 6.1

What Type of Mandatory Employment Program Is Most Beneficial for Those with Low Levels of Education? For Those with High Levels of Education?

At the time that NEWWS was conducted, there was some thought that different types of mandatory employment programs may be more beneficial for welfare recipients with different levels of education. For example, proponents of education-first programs argued that these programs were most appropriate for the recipients who lacked a high school diploma or General Educational Development (GED) certificate or who faced other barriers to employment because these programs offered the best chance of helping such persons get better and more stable jobs, increase their family's income, and stay off the welfare rolls. It was also thought that job-search-first programs, in contrast, might be more appropriate for the welfare recipients who have a high school diploma or GED. Inasmuch as the research design in three of the NEWWS sites (Atlanta, Grand Rapids, and Riverside) facilitated head-to-head tests of education-first and job-search-first programs in the same site, subgroup analyses from these three NEWWS sites, combined with subgroup analyses from the other NEWWS sites, provide the clearest answer to the question of which of these two approaches works better for whom.

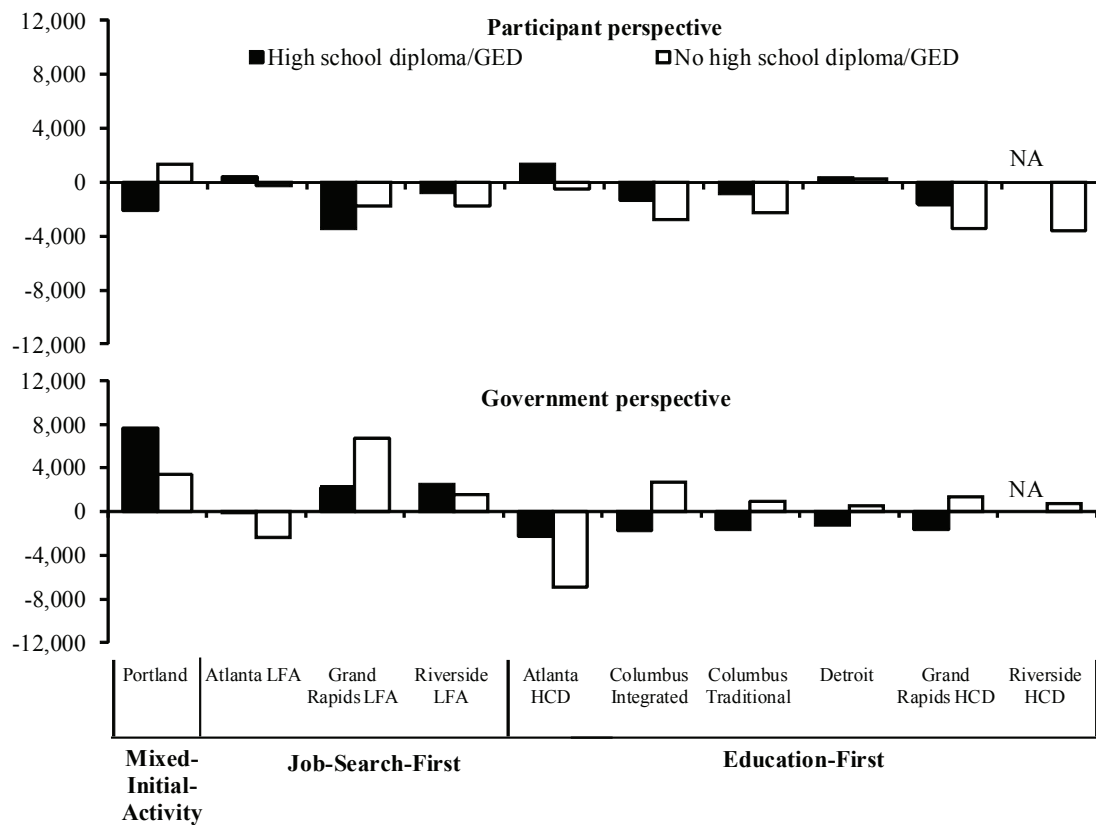
Net values are shown separately below for the participants in the NEWWS programs who had a high school diploma or GED at study entry and those who did not have these credentials at study entry. The following conclusions can be drawn from the NEWWS study:

1. There is no evidence from NEWWS that participants without a high school diploma or GED were better off in education-first programs than in job-search-first programs. Only Portland, a mixed-initial-activity program, seemed to work well for them.
2. There is no evidence from NEWWS that participants with a high school diploma or GED were better off in job-search-first programs than in education-first programs. Only Atlanta HCD, an education-first program, seemed to work well for them (although Atlanta LFA and Detroit also produced very small net gains for these persons).
3. There is no evidence from NEWWS that it is more cost-beneficial to the government to place welfare recipients who lack a high school diploma or GED in education-first programs. From the government budget perspective, net gains appear to be at least as large when such individuals are placed in job-search-first or mixed-activity-programs as when they are placed in education-first programs.
4. There is evidence from NEWWS that it is more cost-beneficial to the government to place welfare recipients who have a high school diploma or GED in job-search-first programs (or mixed-activity programs). Net gains to the government budget fail to occur when such individuals are placed in education-first programs.

(continued)

Box 6.1 (continued)

Mandatory Employment Services for Education Subgroups
Five-Year Estimated Net Value per Program Group Member
from the NEWWS Evaluation (in 2006 dollars)



SOURCES: Published reports from the program evaluations. See Appendix B for full citations.

Box 6.2

Is It Worthwhile to Fund Adult Education in Welfare-to-Work Programs?

The welfare-to-work programs that are reviewed in Chapters 4, 5, and 6 attempted to make single parents who were receiving welfare less dependent on government benefits by increasing their earnings through mandatory employment services. All these programs provided remedial education and vocational training services to at least those welfare recipients who did not first find jobs through job search activities.

In a recent paper, Heckman and Masterov* argue that the funds expended on such programs (and more generally on public job training) would be better spent on early-intervention programs targeted at children while they are still very young. As evidence, they point in particular to benefit-cost studies of two enriched preschool programs that targeted children from disadvantaged families, the Perry Preschool Experiment and the Chicago Child-Parent Center and Expansion Program. The social ROI ratios for these two programs were estimated to be 9.11 and 7.77, respectively.[†] Thus, society reaped around \$8 or \$9 for every dollar invested in these programs. Many of the mandatory employment service programs described in Chapters 4 through 6, in contrast, had ROI ratios of less than 1, implying a return of less than a dollar for each dollar invested. Even the more successful of these programs from the social perspective (for example, SWIM, the Los Angeles Jobs-First program, Portland NEWWS, and Riverside GAIN) had social ROI ratios of around 3, which are still well below the ratios for the two enriched preschool programs.

Keeping in mind that not all the benefits and costs of welfare-to-work programs were measured in MDRC's studies (see Chapter 2), it is instructive to ask why the programs that were aimed at disadvantaged young children have larger ROI ratios than even the most cost-beneficial of the mandatory employment services programs targeted at adult welfare recipients. One of the most important reasons is that program benefits accrue over a much longer time for programs in which children participate. This is both because children obviously have more years of life ahead of them than adults and because the effects on earnings of programs targeted at welfare recipients typically do not persist for more than half a decade or so.[‡] Another important reason is that two of the more important benefits resulting from the Perry and Chicago enriched preschool programs were reductions in crime and reductions in the costs of education when the participating children became older because of less need for special education and grade repetition. If these benefits had not occurred, the social ROI ratio for the Perry and the Chicago programs would have fallen to 2.86 and 5.06, respectively, which is more similar to the ratios for the more successful mandatory employment services programs. Although neither

NOTES: *Heckman and Masterov (2005).

[†]Heckman and Masterov (2005), Table 7.

[‡]Greenberg, Ashworth, Cebulla, and Walker (2004).

(continued)

Box 6.2 (continued)

of these benefits was measured in any of the studies included in the synthesis, it seems implausible that they are very large for programs in which most of the participants are welfare mothers.

It should be pointed out that, in addition to the obvious differences in target groups, the Perry and Chicago programs and their evaluations differ in other key respects from the mandatory employment services programs reviewed in this synthesis. First, the former are voluntary programs, and the latter are mandatory. Second, the evaluations of mandatory employment programs are all based on random assignment, but the Chicago program was evaluated using a nonexperimental matching procedure, which provides less reliable estimates of program effects. Third, although the evaluation of the Perry program was based on random assignment, the sample size was very small (a program group of 58 persons and a control group of 65). The evaluations of the mandatory employment programs, in contrast, typically relied on samples of well over a thousand welfare recipients. Larger samples usually provide more reliable findings. For example, the large benefits from reductions in crime were found for the Perry program because just a few more members of the Perry control sample were incarcerated than members of the Perry program sample.[§] Fourth, most welfare recipients who were otherwise eligible in the welfare offices where the mandatory employment programs were tested were subjected to the mandate (a relatively small number were instead assigned to the control group). It is not clear that if the Perry program were operated at a similarly large scale, its social ROI ratio would be as large as the one that was estimated. Head Start is a very large-scale program for disadvantaged preschool children, and although a recent study^{||} of the benefits and costs of Head Start argues persuasively that its social ROI ratio is probably above 1, the study does not estimate the size of the ratio.

Thus, there is some uncertainty as to whether ROI ratios for large-scale programs that are targeted at preschool children from disadvantaged families are really in the range of 8 or 9. Even if they are, however, this does not necessarily imply that mandatory employment service programs for welfare recipients, which are unlikely to ever approach this level, should not be funded. If funding for these programs did cease, it is not at all clear that the savings would be invested in programs for preschool children. In fact, even if this did occur, the additional funding that would be available for programs for preschool children would not go very far, as the costs per participant in the Perry and the Chicago programs were around \$17,670 and \$8,280 in 2006 dollars, respectively, while the per participant operating cost of most of the mandatory employment programs included in this synthesis were less than \$5,000. However, there is little point in investing in mandatory employment programs that do not have net gains. Thus, it is logical that mandatory employment service programs that are highly cost-beneficial be replicated to the extent possible. By providing benefit-cost findings from rigorous evaluations based on random assignment, this report identifies several programs of this sort. The evaluation studies that are listed in this report's References and Bibliography detail how these programs were designed and how they were run in the field.

NOTES: [§]Cook (2007).

^{||}Ludwig and Phillips (2007).

Chapter 7

Earnings Supplement Programs

Work alone is often insufficient to make participants in welfare-to-work programs better off. Partly for this reason, state and federal governments began to experiment in the 1990s with various kinds of earnings supplements. Indeed, the goal of most earnings supplement programs is to encourage work and, at the same time, to ensure that those participants who take jobs increase their incomes. Thus, these programs require work in exchange for receiving a supplement.

Earnings supplement programs differ from all the other programs included in this synthesis because there is no expectation that these programs will necessarily result in savings for the government. By design, they are likely to increase the dollars that the government transfers to welfare recipients. However, the government is clearly interested in operating these programs as efficiently as possible — in other words, in producing the greatest gains for the lowest cost.

This chapter describes the results from several random assignment evaluations of programs that isolated the effects of earnings supplements by randomly assigning welfare recipients to two groups, only one of which was eligible for the supplements. Otherwise, except for certain changes in the welfare rules discussed below — which were applied only to those eligible for the earnings supplements — the two groups were treated identically. These results are important because they indicate the benefits and costs that states can expect to result from providing earnings supplements on top of other program components. In addition, because the national Earned Income Tax Credit (EITC) has many of the same features as the earned income disregards¹ found in many states, the results may afford a rough sense of the costs and benefits of the EITC. For example, like the EITC, earnings supplements are reduced as earnings rise, once they exceed a specified level.

This chapter focuses on the effects of three earnings supplement programs: a variant of the Minnesota Family Investment Program (MFIP) called “MFIP Incentives Only;”² a variant of Vermont’s Welfare Restructuring Project (WRP) called “WRP Financial Incentives Only;” and

¹Welfare payments generally are reduced as a recipient’s earnings rise. However, some earnings may be disregarded (that is, not counted) in determining welfare benefits. Each dollar of benefits that is counted (not disregarded) reduces welfare benefits by one dollar.

²This report focuses on MFIP Incentives Only results for single-parent urban recipients.

the Self-Sufficiency Project (SSP) Applicant and Recipient programs, which were tested in Canada.³

The SSP program delivered earnings supplements outside the regular welfare system. Indeed, participants could not receive payments through the regular Canadian welfare system while they were receiving SSP supplement payments. The SSP earnings supplement was available only to single parents who had been on income assistance for at least one year and who left income assistance for full-time work. To receive the SSP supplement, participants had to work at least 30 hours a week and remain off income assistance. They were then eligible to receive the earnings supplement for three years. The SSP program was similar for applicants and recipients. Differences between the SSP Recipient Study and the SSP Applicant Study reflect three factors: (1) the different target populations, (2) the timing of when the program groups could get the supplements (recipients could receive them when the study began, but supplements were unavailable for an initial year for applicants), and (3) sampling error (the results are much more positive for applicants, but much of this appears to be a statistical fluke).

In contrast, both MFIP and WRP delivered earnings supplements through the regular welfare system by changing the welfare rules so that work was rewarded more than it was under the existing regulations. Specifically, these rule changes reduced the rate at which welfare payments fell as earnings increased. Both programs also increased the asset limit at which individuals ceased being eligible for welfare benefits. This meant that welfare recipients could accumulate more savings from earnings without losing their eligibility for assistance and could own a more valuable (and hence more reliable) car.

Both programs also made other changes to welfare rules that were beneficial to program members. For instance, MFIP streamlined some of the welfare and food stamp eligibility rules in a manner that was beneficial to participants, and it paid the cost of child care directly to the provider (rather than having the participant first pay it and then be reimbursed). Because MFIP budgeted retrospectively, the first two months of earnings after starting a job were not counted against the MFIP grant; conversely, if a participant lost a job, the MFIP grant was immediately increased. WRP changed the process used in collecting child support payments from noncustodial parents on the behalf of children receiving assistance in order to make the payments more visible to the custodial parents. It also expanded support for families who left welfare for work, by providing three years of transitional Medicaid coverage and transitional child care assistance

³Employment incentives were the main focus of the SSP evaluation. MFIP Incentives Only and WRP Incentives Only were not the sole focus of the evaluations in Minnesota and Vermont; full MFIP and full WRP, which included services in addition to financial incentives, were also evaluated. However, although findings from full MFIP are discussed in Box 7.2, this synthesis focuses mainly on research group comparisons that were specifically designed to isolate the effects of financial incentives.

on a sliding scale to families whose incomes did not exceed 80 percent of the state median. The rules in the absence of WRP provided only one year of both types of transitional benefits.

However, the financial incentives provided by the WRP program were not very different from those that existed in the absence of the program. In fact, at most levels of earnings, the “enhanced” earnings disregard during the first four months of work was actually somewhat less generous. Beginning in the fifth month of employment, however, WRP’s disregard became somewhat more generous (unless the parent earned \$120 per month or less, in which case there was no difference between the two sets of rules).

Box 7.1 compares the earnings supplement programs included in the synthesis by showing the monthly increase in income from each of the earnings supplement programs for a typical sample member who worked part time and a typical sample member who worked full time. SSP was by far the most generous to full-time workers, and MFIP was the most generous to part-time workers. The earnings supplement provided by WRP was small, and, as mentioned above, a typical sample member would receive less under WRP than under the regular rules for the Temporary Assistance for Needy Families (TANF) program during the first four months of employment. Both the MFIP and the WRP earnings supplements paid more to part-time workers than to full-time workers.

The control groups for all three programs were not subject to any participation mandates and were not eligible to receive earnings supplements, but they were still eligible for assistance under the existing rules. The studies varied in terms of how long the difference in treatment of program group and control group members was maintained, ranging from as little as two years following random assignment for MFIP⁴ to six years for the WRP program. Thus, the benefit-cost analyses for these four programs compare persons eligible for earnings supplements with a control group that was not eligible for earnings supplements.

Benefit-Cost Estimates

The findings summarized in this chapter support the following conclusions regarding earnings supplement programs:

- A major goal of the earnings supplement programs was to improve the financial situation of participants while encouraging them to work. Thus, the par-

⁴In June 1998, MFIP and control group members became subject to the same statewide welfare policy, which provided a less generous earnings disregard for those in the program group but a more generous earnings disregard in the control group. June 1998 was 16 quarters following random assignment for the earliest group randomly assigned and was 9 quarters following random assignment for the last group randomly assigned.

Box 7.1**Increase in Monthly Income due to Supplement**

Program	Hours per Week Worked	
	Part Time	Full Time
MFIP	\$250	\$150
SSP	\$0	\$450
WRP (Months 1-4)	-\$6	-\$24
WRP (Months 5-12)	\$67	\$16

Notes: The calculations assume a wage of \$6.00 per hour in U.S. dollars. Part time is 20 hours per week. Full time is 40 hours per week for MFIP and SSP and 35 hours per week for WRP.

participant perspective is particularly pertinent in assessing this type of program. Based on this perspective, earnings supplement programs perform well. Among the program categories included in this synthesis, earnings supplement programs produced the largest net gains for participants.

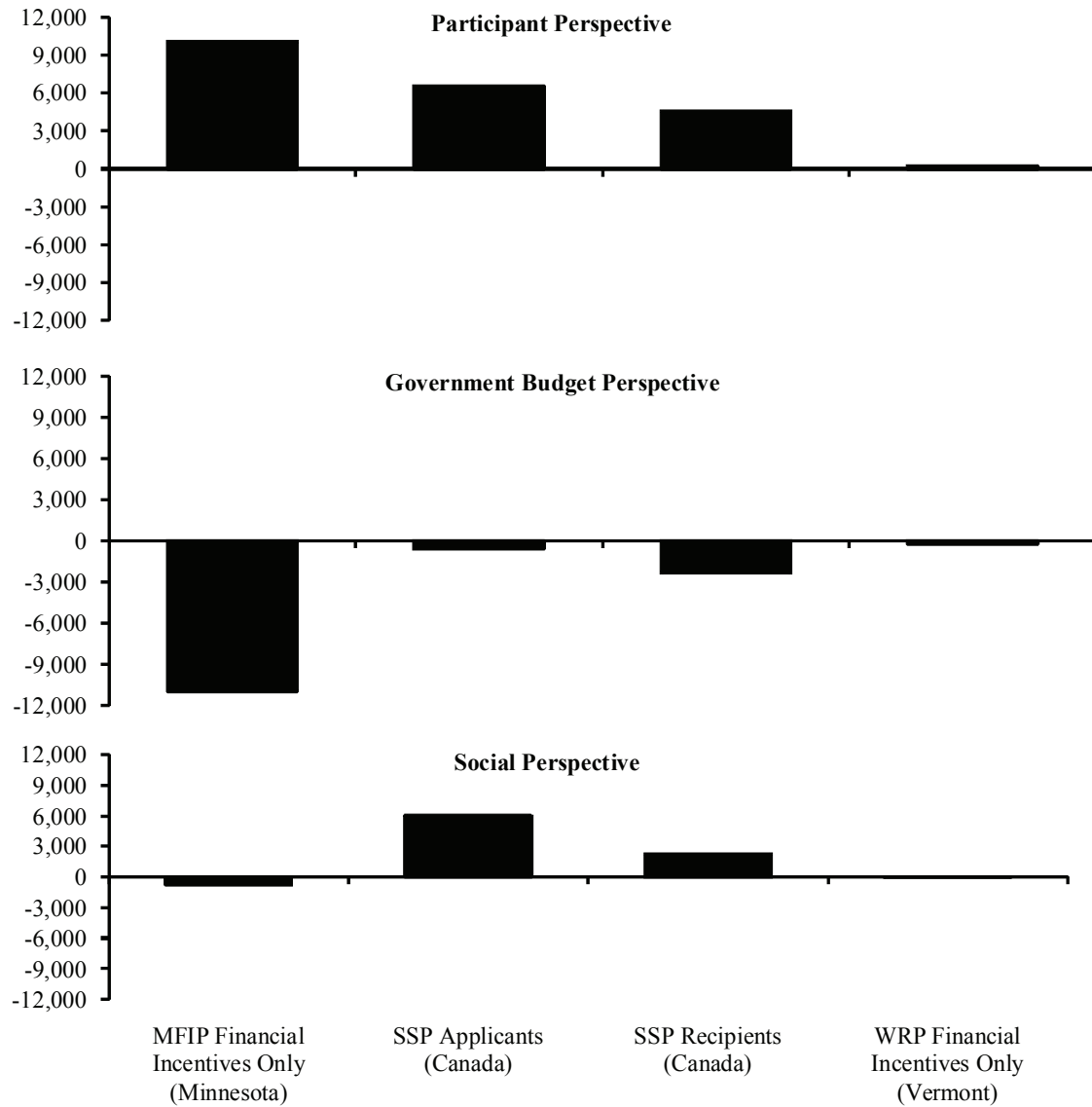
- Earnings supplement programs differ from all the other programs included in this synthesis because there was no expectation that these programs would result in savings for the government, at least in the short run. By design, they were likely to increase the dollars that the government transfers to welfare recipients. As expected, these programs showed net losses from the government budget perspective.
- Among the earnings supplement programs, only one resulted in a net loss from the social perspective, and this loss was modest. Inasmuch as the social perspective is the sum of the participant and government perspectives, these rather positive results are driven by the large net gains to participants. They suggest that earnings supplement programs are an efficient mechanism for transferring income to low-income families. Most transfer programs, in contrast, cost the government more than a dollar for each dollar increase in the incomes of recipients.

A major goal of the earnings supplement programs was to improve the financial situation of participants. As expected and as shown in Figure 7.1, earnings supplement programs result in net gains from the participant perspective and net losses from the government budget perspective. The values differ by program and are driven by the generosity of the earnings supplement and by the extent to which programs were successful in encouraging work (and thus

Welfare-to-Work Program Benefits and Costs

Figure 7.1

Earnings Supplement Programs: Five-Year Estimated Net Value per Program Group Member (in 2006 dollars)



SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.14, B.15, and B.16.

in increasing earnings).⁵ WRP produced only small net gains from the participant perspective, which is not surprising, because the financial payments were not much greater than those existing under the regular welfare rules. In contrast, the other earnings supplement programs resulted in large net gains from the participant perspective and large net losses from the government budget perspective. Because the cost-benefit studies included in this synthesis assume that program benefits continued to exist for only five years, the net gains of participants would be even larger than those implied by Figure 7.1 *if*, as a result of job experience gained while receiving earnings supplements, program effects on earnings continued beyond this period. Unfortunately, however, while those who implemented these programs hoped that this would be the case, it was not. Program earnings effects diminished over time, reaching zero before or just after the end of the five-year period.⁶

As shown in Figure 7.1, the net gains received by participants were either larger or only slightly smaller than the government's net losses. This implies that earnings supplements are a relatively efficient means of transferring income to low-income persons. Most welfare programs, such as Aid to Families with Dependent Children (AFDC) or TANF, are much less efficient because they create incentives for welfare recipients to work less. As a consequence, their earnings fall. Thus, in order to increase the incomes of recipients by a dollar, the government must transfer considerably more than a dollar. This is much less likely in the case of earnings supplement programs because the supplements usually increase as earnings rise, thereby providing an incentive to work more.

As noted earlier, SSP operated outside the regular welfare system. As a consequence, its operating costs were substantial. Because MFIP and WRP provided earnings supplements by simply changing the benefit computation formulas in the existing welfare system and because they resulted in small reductions in participation in employment-related activities, they actually resulted in small reductions in operating costs. Return-on-investment (ROI) ratios are not readily interpretable if the denominator in the ratio (program operating costs) is negative. Thus, ROI ratios are presented for only the SSP program (Table 7.1).

⁵Another important earnings supplement program, the New Hope demonstration, was not included in this synthesis because a full five-year cost-benefit analysis was not completed and the study did not isolate the effect of its earnings supplement. The New Hope program provided an earnings supplement, subsidized health insurance, and subsidized child care, which were conditioned on participants' having full-time work. However, the program also provided a wage-paying community service job to participants who wanted to work full time but were unable to find a full-time job. The results of the two-year cost benefit analysis for New Hope are consistent with those for the earnings supplement programs in this synthesis: The program resulted in net gains from the participant perspective and net losses from the government perspective. New Hope also resulted in net losses from the social perspective (Bos et al., 1999). Furthermore, a discussion of five-year costs and benefits for a subset of New Hope sample members — those with children age 1 through 10 at baseline — concludes that there were net losses from the social perspective (Duncan, Huston, and Weisner, 2007).

⁶For a detailed analysis, see Michalopoulos (2005).

Welfare-to-Work Program Benefits and Costs

Table 7.1

Earnings Supplement Programs: Five-Year Estimated Operating Costs, Net Value, and ROI per Program Group Member (in 2006 dollars)

Program	Accounting Perspective		
	Participant	Government Budget	Social
<u>MFIP Financial Incentives Only (Minnesota)</u>			
Operating cost	NA	-\$341	-\$341
Net gain or net loss (net value)	\$10,141	-\$10,958	-\$815
Return per net dollar invested by the government (ROI)	NA	NA	NA
<u>SSP Applicants (Canada)</u>			
Operating cost	NA	\$1,398	\$1,398
Net gain or net loss (net value)	\$6,589	-\$580	\$6,009
Return per net dollar invested by the government (ROI)	4.71	0.58	5.30
<u>SSP Recipients (Canada)</u>			
Operating cost	NA	\$1,240	\$1,240
Net gain or net loss (net value)	\$4,614	-\$2,363	\$2,251
Return per net dollar invested by the government (ROI)	3.72	-0.91	2.82
<u>WRP Financial Incentives Only (Vermont)</u>			
Operating cost	NA	-\$284	-\$284
Net gain or net loss (net value)	\$239	-\$228	\$13
Return per net dollar invested by the government (ROI)	NA	NA	NA

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.14, B.15, and B.16.

See Box 3.1 for an explanation of how to calculate the ROI from each perspective.

The MFIP and WRP programs resulted in a savings from operating costs, so the ROI calculation did not make sense and thus is not presented in this table.

The return to participants was quite positive for the SSP program regardless of target population: For every dollar the government invested, participants in the recipient program received \$3.72, and participants in the applicant program received \$4.71. The ROI from the government budget perspective was expected to be low, due to the way earnings supplement programs operate, and, indeed, this is the case. The government spent an additional 91 cents for every dollar it invested in the SSP recipient program, and it received 58 cents for every dollar it invested in the applicant program.

In sum, earnings supplement programs are successful in achieving their major goal of increasing participant income, and, as expected, they result in net losses for the government.

Box 7.2

MFIP Incentives Only Versus Full MFIP

Two versions of MFIP were tested in Minnesota: one that provided only financial incentives, which is the program variant discussed in the synthesis, and full MFIP, which added mandatory employment services to the earnings supplement. Full MFIP can be viewed as a job-search-first program that also provided financial incentives, because job search was the first activity for almost all participants. The two program variants can be directly compared because the MFIP evaluation used a three-group research design, in which welfare recipients were randomly assigned to one of two program variants or to a control group.

Full MFIP appears to have been more cost-beneficial than MFIP Incentives Only. For example, the net gains enjoyed by participants were considerably larger (\$13,138 versus \$10,141), while the net losses experienced by government budgets were virtually the same (\$10,880 versus \$10,958). However, as a result of providing mandatory employment services, program operating costs were also much larger for full MFIP (\$2,510; MFIP Incentives Only resulted in a savings in operating costs compared with the regular welfare program (\$341).

This raises the obvious question of whether the additional benefits were worth the additional costs. One way of addressing this question is to compute “marginal return-on-investment (ROI) ratios” for participants and the government. These ratios are analogous to the ROI ratios presented in the main text except that the additional program benefits produced by full MFIP are divided by the additional costs required to operate full MFIP. These marginal ROI ratios for program participants and the government were 1.05 and 1.03, respectively, suggesting that the participants received \$1.03 for each additional dollar that the government invested in mandatory employment services and the government received \$1.03 for each additional dollar it invested in full MFIP relative to MFIP Incentives Only.* Thus, adding employment services to the financial incentives offered in the Minnesota program appears to have had a positive financial payoff for program participants, while the government more or less broke even.

NOTES: *The denominator of both ratios is simply the difference in operating costs between the two program variants ($\$2,510 + \$341 = \$2,851$). Similarly, the numerator for participants is the difference in net gains for participants between the two program ($\$13,138 - \$10,141 = \$2,997$). To compute the numerator from the government budget perspective, the net gain and net loss estimates must first be expunged of operating costs, and then the difference between the values for the two program variants must be calculated. Thus, the numerator for the government is $\$2,929 [= \{(-\$10,880) - (-\$2,510)\} - \{(-\$10,958) - (-\$341)\}]$.

Chapter 8

Time-Limit-Mix Programs

Many states substantially reformed their welfare programs even before the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) became law in August 1996. Between 1993 and 1996, more than 40 states were granted waivers of federal welfare rules, allowing them to implement a wide variety of policy changes designed to promote work and self-sufficiency among welfare recipients. The three programs in the time-limit-mix category were among those that were granted waivers, and they represent a combined test of different features that were being discussed in the early 1990s. All the programs in this category were designed to increase the self-sufficiency of welfare recipients by creating employment mandates, offering financial incentives, and time-limiting assistance.

Mandates

All three programs required welfare recipients to participate in employment-oriented activities. Florida's Family Transition Program (FTP) provided an array of services and incentives to help program participants find work, including intensive case management, education, training, job placement services, and increased support services. FTP participants were more likely than the control group to be required to participate in employment-related activities. In addition, the program incorporated parental responsibility mandates, which required parents to ensure that their children were attending school regularly and to speak with their children's teachers at least once each grading period. For the Aid to Families with Dependent Children (AFDC) program, new applicants with preschool children were required to provide proof that their children had begun to receive a standard series of immunizations. Parents who failed to meet these requirements faced sanctions (that is, their grants could be canceled or reduced).

The Connecticut Jobs First program included mandatory "work-first" services, wherein Jobs First group members were required to look for a job, either on their own or through Job Search Skills Training courses that taught job-seeking and job-holding skills. Education and training were generally restricted to those who were unable to find a job despite lengthy up-front job search activities. Recipients who failed to meet these requirements could be sanctioned. During the first 21 months of assistance, sanctions involved reducing a welfare grant or closing a case for three months. The penalties became stricter after the time limit: A single instance of noncompliance during an extension could have resulted in permanent discontinuance of the entire welfare grant.

Vermont's Welfare Restructuring Project (WRP) required members of the program group who had been in the program for 30 months without finding employment to take subsidized minimum-wage community service jobs. Single parents with children under age 13 were required to work half time; those with older children were required to work full time. In Vermont, virtually all adult AFDC recipients (including both program group members and control group members) could participate voluntarily in the state's welfare-to-work program, which provided employment training, case management, and support services. Under WRP, participation was voluntary until two months before a recipient reached the 30-month work requirement point, when job classes became mandatory. Unlike recipients in many other states, single parents who failed to comply with WRP's work requirement did not have their welfare grant reduced or closed; rather, the state took control of their grant, used the money to pay their bills, and required them to attend three meetings at the welfare office each month. Noncompliance with this process resulted in the loss of benefits (although parents could reapply for benefits).

Financial Incentives

All three time-limit-mix programs delivered financial incentives through the regular welfare system by changing the welfare rules so that work was rewarded more than it was under the existing rules. Specifically, these rule changes reduced the rate at which welfare payments fell as earnings increased. All three programs also increased the asset limit at which individuals ceased being eligible for welfare benefits. This meant that welfare recipients could accumulate more savings from earnings without losing their eligibility for assistance and could own a more valuable car.

Under FTP, the first \$200 plus one-half of any remaining earned income was disregarded when determining eligibility for welfare payments. The Connecticut Jobs First program disregarded 100 percent of earned income for families with earnings below the federal poverty level.¹ Under the WRP program, the financial incentive was the same as that discussed in Chapter 7: the first \$150 plus 25 percent of any remaining earned income was disregarded. However, as discussed in Chapter 7, the WRP financial incentives were not substantially different from those under the regular welfare rules.

There were other financial incentives provided by these programs. For example, WRP changed the process used in collecting child support payments from noncustodial parents on the behalf of children receiving assistance in order to make the payments more

¹In 1998, which was the midpoint of the study period, the federal poverty level was \$1,411 per month in 2006 dollars for a family of three.

visible to the custodial parents. It also expanded support for families who left welfare for work by providing three years of transitional Medicaid coverage and transitional child care assistance on a sliding scale to families whose incomes did not exceed 80 percent of the state median. The rules in the absence of WRP provided only one year of both types of transitional benefits. The Connecticut Jobs First program also changed some key rules about the interaction between child support payments and welfare benefits, which allowed participants to receive more in child support payments. The Connecticut Jobs First program also provided an additional year of transitional Medicaid coverage, as well as child care assistance for those with incomes below 75 percent of state median. FTP provided an additional year of transitional child care assistance.

Time Limits

Welfare time limits came into the public eye during the 1992 presidential campaign, when candidate Bill Clinton promised to limit families to two years of welfare benefits. Although a national welfare time limit — a 60-month lifetime limit on federally funded assistance for most families — was not actually enacted until 1996, some states reacted earlier by implementing programs of their own with time limits, often with shorter time frames than those eventually imposed at the federal level. By mid-1996, more than 30 states had been granted federal waivers that allowed them to implement some form of welfare time limit in at least part of the state.

The Florida Family Transition Program and the Connecticut Jobs First program both had time limits that restricted the length of time that families could continue receiving welfare. The time limit tested in the WRP program differed from the limits tested by FTP and Jobs First because it had a work-trigger time limit, which did not limit the time on welfare but instead required welfare recipients to begin working after receiving benefits for a certain length of time. FTP limited most families to 24 months of cash welfare assistance in any 60-month period (the least job-ready were limited to 36 months in any 72-month period). The Connecticut Jobs First program limited families to 21 cumulative months of cash assistance. However, extensions were available to participants who made a good-faith effort to find employment and who had income below the welfare payment standard. The WRP program required recipients to begin working after 30 months of welfare receipt.

Control Group Comparison

All of the control groups that were used in the evaluations of the time-limit-mix programs were not subject to a time limit and were not provided financial incentives. However, they were eligible for other services or subject to other mandates. The control

group for the test of the WRP program could participate in the state's welfare-to-work program but was not required to do so at any point. In the FTP and Connecticut Jobs First tests, the control group was required to participate in the preexisting welfare-to-work program. The control group in the Connecticut Jobs First study also was subject to broader exemption criteria and a somewhat stronger focus on education and training than the Connecticut Jobs First program group. The control group in the FTP study was subject to the preexisting Project Independence welfare-to-work program, which offered case management, support services, and employment services. Although FTP and the control group program (Project Independence) offered similar services, FTP had smaller caseloads and greater funding and, therefore, was able to offer enhanced services, such as having child care counselors in the FTP offices, reserved slots for social and health services, one-on-one job placement help for those approaching the time limit who had not found employment, subsidies for employers who agreed to hire welfare recipients who were approaching the time limit, special short-term occupational training programs (which were linked to local industries and employers), and a broader range of assessments.

Thus, the benefit-cost analyses that are discussed next compare programs that had welfare time limits, financial incentives, and services with programs that provided somewhat different services and had no welfare time limits and financial incentives.

Benefit-Cost Estimates

The findings summarized in this chapter support the following conclusions regarding time-limit-mix programs:

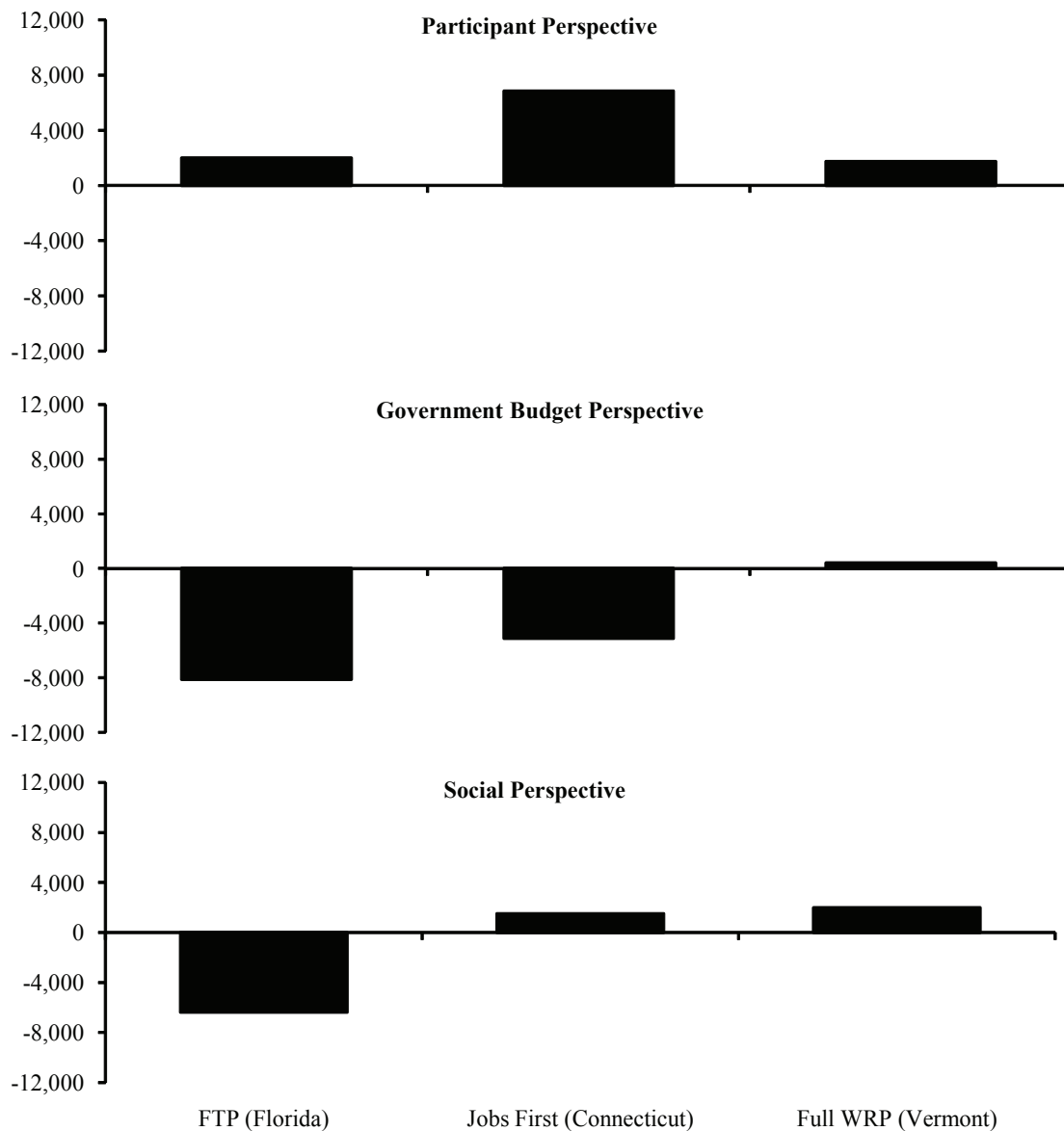
- Time-limit-mix programs try to balance reducing long-term government expenditures with making participants better off and, thus, are appropriately assessed from both the government budget and the participant perspective. While all three of these programs resulted in net gains for participants, two produced net losses from the government budget perspective.
- Two of the three programs had net gains from the social perspective.

All three of the time-limit-mix programs produced net gains from the participant perspective (Figure 8.1). FTP and WRP reduced participants' transfer payments, but by less than their earnings gains. Transfer payments, as well as earnings, increased as a result of the Connecticut Jobs First program. In addition, participants also received more support services under all three programs. The return-on-investment (ROI) ratios for participants in these three programs ranged from 0.19 to 2.51, which means that participants gained between 19 cents and \$2.51 for every dollar that the government invested (Table 8.1).

Welfare-to-Work Program Benefits and Costs

Figure 8.1

Time-Limit-Mix Programs: Five-Year Estimated Net Value per Program Group Member (in 2006 dollars)



SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.17, B.18, and B.19.

Welfare-to-Work Program Benefits and Costs

Table 8.1

Time-Limit-Mix Programs: Five-Year Estimated Operating Costs, Net Value, and ROI per Program Group Member (in 2006 dollars)

Program	Accounting Perspective		
	Participant	Government Budget	Social
<u>FTP (Florida)</u>			
Operating cost	NA	\$10,175	\$10,175
Net gain or net loss (net value)	\$1,983	-\$8,128	-\$6,374
Return per net dollar invested by the government (ROI)	0.19	0.20	0.37
<u>Jobs First (Connecticut)</u>			
Operating cost	NA	\$2,725	\$2,725
Net gain or net loss (net value)	\$6,839	-\$5,111	\$1,512
Return per net dollar invested by the government (ROI)	2.51	-0.88	1.55
<u>Full WRP (Vermont)</u>			
Operating cost	NA	\$1,568	\$1,568
Net gain or net loss (net value)	\$1,754	\$402	\$1,978
Return per net dollar invested by the government (ROI)	1.12	1.26	2.26

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: See Appendix Tables B.17, B.18, and B.19.

See Box 3.1 for an explanation of how to calculate the ROI from each perspective.

The results are more negative from the government budget perspective. Two of the three programs resulted in large net losses from this perspective, while the other program produced a small net benefit (Figure 8.1). The savings from transfer payments and increased revenue were exceeded by the operating costs of FTP. This may be due to the virtually unlimited funding given to the program. The high cost of FTP is not representative of typical welfare-to-work programs. While the Connecticut Jobs First program was much less expensive to operate than FTP, transfer payments increased under Jobs First. This is probably attributable to the program's financial incentives. The WRP program was the only program examined in this chapter that had savings from transfer payments that exceeded its operating costs. These savings may have occurred partially because the financial incentives that were offered were not very different from the regular welfare program.

The government's ROI ratio ranged from -0.88 to 1.26 (Table 8.1). The WRP program was the only one of the three programs for which the government's ROI exceeded what it invested. In the Connecticut Jobs First program, Medicaid, food stamps, and Earned Income Tax Credit (EITC) payments all increased, and there were no offsetting cost reductions. As a result, the government's ROI ratio was negative.

In summary, all three of the time-limit-mix programs resulted in net gains from the participant perspective, while only one produced net gains from the government budget perspective. Time-limit-mix programs were able to increase the incomes of participants but often were not able to control government costs. This implies, perhaps, that the time limits tested in these programs had a less powerful influence than the financial incentives that were also provided by these programs. As suggested in Chapter 7, financial incentives have positive effects on participants and negative effects on the government's budget. Time limits, in contrast, might be expected to operate in the opposite direction. (As seen in Chapters 4, 5, and 6, the influence of the employment-orientated services provided by these programs could go in either direction.) Thus, these programs were only partially successful in achieving their goal of balancing fiscal responsibility and increasing participant income.

Box 8.1

WRP Financial Incentives Only Versus Full WRP

The design of the WRP program allows the effect of the work requirement to be isolated and measured. Two versions of WRP were tested: WRP Financial Incentives Only, in which, as discussed in Chapter 7, participants were eligible for small financial incentives but did not have a work requirement; and full WRP, in which, as discussed in this chapter, participants were subject to a work requirement, eligible for financial incentives, and may also have been required to participate in job classes and work experience. Comparing full WRP with WRP Financial Incentives Only, in contrast, shows the effects of adding the work requirement to the financial incentives.

WRP Financial Incentives Only appears to be less cost-beneficial than full WRP. While the net gains enjoyed by participants were considerably larger for full WRP than for WRP Financial Incentives Only (\$1,754 versus \$239), from the government budget perspective, full WRP had a net gain, and WRP Financial Incentives Only had a net loss (\$402 versus -\$228). However, operating costs were much higher for full WRP (\$1,568); WRP Financial Incentives Only resulted in a savings in operating costs compared with the regular welfare program (\$284).

This raises the obvious question of whether the additional benefits were worth the additional costs. One way of addressing this question is to compute “marginal return-on-investment (ROI) ratios” for participants and the government. As described in Box 7.2, these ratios are analogous to the ROI ratios presented in the main text, except that the additional program benefits produced by full WRP, relative to WRP Financial Incentives Only, are divided by the additional costs required to operate full WRP. These marginal ROI ratios for program participants and the government were .82 and 1.34, respectively, suggesting that the participants received 82 cents for each additional dollar that the government invested in the work requirement, job classes, and work experience — features not included in WRP Financial Incentives Only — and the government received \$1.34 for each additional dollar that it invested in full WRP relative to WRP Financial Incentives Only. Thus, adding a work requirement, job classes, and work experience to the financial incentives offered in the WRP program appears to have had a positive financial payoff for program participants and the government.

Chapter 9

Conclusions and Policy Implications

In this synthesis, the findings from benefit-cost analyses have been separately examined for six different types of programs, focusing particularly on the vantage points of program participants and of the government budget but also indicating findings from the perspective of society as a whole. One of the strengths of benefit-cost analysis comes from the ability to examine benefit-cost results by different perspectives. As indicated in Chapter 2, benefit-cost findings for society typically are almost entirely driven by program operating costs and program effects on earnings. Benefit-cost results from the participant perspective are contingent on both program earnings effects and program effects on transfer payments (for example, welfare, food stamps, and Medicaid) but are not influenced by program operating costs. Like the social perspective, benefit-cost findings from the government budget perspective also depend on program operating costs, but they are much more influenced by program effects on transfer payments than by program effects on earnings. However, increases in earnings that result from programs also increase the tax receipts of the government and usually reduce the amount of transfer payments that the government must provide — but these relationships are complex. As previously shown, for example, in the case of earnings supplement programs (Chapter 7), welfare payments may increase as earnings also increase.

Program Goals, Trade-Offs, and Implications of the Findings

As shown in Table 9.1, regardless of which perspective is being considered, the findings for different types of programs also differ considerably from one another. These differences reflect the fact that some program types perform better than others, as summarized below.

Different types of programs emphasize different goals, and so the perspective that is used to assess the program type differs. Thus, whether a program is judged as a success in terms of its benefit-cost performance depends on what policymakers are attempting to accomplish, and those goals, in turn, should influence the perspective that is weighed most heavily in assessing the program (Table 9.2). The following paragraphs summarize the findings in this synthesis, structured according to the programs' most emphasized goals.

Programs Most Focused on Reducing Welfare Costs

Mandatory work experience programs (Chapter 3) and mandatory job-search-first programs (Chapter 4) are particularly focused on reducing welfare dependency and, hence, the cost

Welfare-to-Work Program Benefits and Costs

Table 9.1

**Five-Year Summary Statistics of Net Value
and ROI per Program Group Member,
by Program Type (in 2006 dollars)**

Program Type	Mean	Median	Minimum	Maximum
<u>Mandatory work experience</u>				
Participant perspective	\$285 (4.77)	\$310 (2.22)	-\$163 (-0.32)	\$707 (12.40)
Government budget perspective	\$103 (1.04)	-\$328 (0.35)	-\$365 (-5.40)	\$1,002 (8.17)
Social perspective	\$1,162 (8.88)	\$1,261 (9.82)	\$503 (3.50)	\$1,720 (13.32)
<u>Mandatory job-search-first</u>				
Participant perspective	-\$570 (-0.16)	\$196 (0.04)	-\$2,729 (-1.13)	\$837 (0.49)
Government budget perspective	\$1,954 (1.97)	\$2,266 (2.34)	-\$932 (0.81)	\$3,521 (2.77)
Social perspective	\$1,215 (1.74)	\$654 (1.27)	-\$946 (0.80)	\$3,552 (3.06)
<u>Mandatory education-first</u>				
Participant perspective	-\$1,360 (-0.27)	-\$1,554 (-0.32)	-\$3,571 (-0.65)	\$569 (0.13)
Government budget perspective	-\$745 (0.86)	-\$387 (0.88)	-\$3,943 (0.41)	\$735 (1.13)
Social perspective	-\$2,234 (0.57)	-\$2,510 (0.50)	-\$3,545 (0.38)	-\$205 (0.92)
<u>Mandatory mixed-initial-activity</u>				
Participant perspective	808 (0.27)	\$1,422 (0.35)	-\$2,178 (-0.32)	\$2,651 (1.19)
Government budget perspective	-\$67 (1.27)	\$89 (1.06)	-\$4,803 (0.17)	\$6,337 (2.84)
Social perspective	\$515 (1.47)	\$774 (1.10)	-\$7,042 (0.13)	\$6,221 (3.79)

(continued)

Table 9.1 (continued)

Program Type	Mean	Median	Minimum	Maximum
<u>Earnings supplement^a</u>				
Participant perspective	5,396 (4.22)	\$5,602 (4.22)	\$239 (3.72)	\$10,141 (4.71)
Government budget perspective	-\$3,532 -(.16)	-\$1,472 -(0.16)	-10,958 -(0.91)	-\$228 (0.58)
Social perspective	\$1,865 (4.06)	\$1,132 (4.06)	-\$815 (2.82)	\$6,009 (5.30)
<u>Time-limit-mix</u>				
Participant perspective	\$3,525 (1.27)	\$1,983 (1.27)	\$1,754 (0.19)	\$6,839 (2.51)
Government budget perspective	-\$4,279 (0.19)	-\$5,111 (0.20)	-\$8,128 -(0.88)	\$402 (1.26)
Social perspective	-\$961 (1.40)	\$1,512 (1.55)	-\$6,374 (0.37)	\$1,978 (2.26)

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Appendix B presents individual results for each type of program and perspective.

The ROI appears in parentheses.

Earnings supplement ROI numbers refer only to two of four programs. Two programs resulted in a savings from operating costs, so the ROI calculation did not make sense and thus is not presented.

^aApplicant results for Canada's Self-Sufficiency Project (SSP) are a six-year estimate.

of welfare. Thus, the government budget perspective is especially relevant in judging such programs.

- Mandatory work experience programs had weak results from the government budget perspective. Neither the mean nor the median net value from the government budget perspective differs much from zero for mandatory work experience programs (\$103 and -\$328, respectively).
- Job-search-first programs do rather well from the government budget perspective. As shown in Table 9.1, both the mean and the median net value from this perspective are approximately \$2,000 for job-search-first programs. These programs are much less successful in increasing the incomes of participants, but that is not the goal they emphasize.

Welfare-to-Work Program Benefits and Costs

Table 9.2

Benefit-Cost Performance of Each Program Type

Program Type	Most Emphasized Benefit-Cost Goal	Did Participant Income Increase?	Did Government Budgetary Position Improve?	Further Considerations
Mandatory work experience	Reduce welfare costs	Mixed	<u>MIXED</u>	Small net values from participant and government perspectives; from social perspective, consistent net gains due to work experience output
Mandatory job-search-first	Reduce welfare costs	No	<u>YES</u>	Small net gains or substantial net losses to participants
Mandatory education-first	Increase participant income	<u>NO</u>	No	Least successful program type
Mandatory mixed-initial-activity	Balance reducing welfare costs and increasing participant income	<u>YES</u>	<u>YES</u>	Goal not achieved by two programs targeting long-term welfare recipients
Earnings supplement	Increase participant income	<u>YES</u>	No	Largest participant net gains; an efficient mechanism for transferring income, even though resulting in net losses for government budget
Time-limit-mix	Balance reducing welfare costs and increasing participant income	<u>YES</u>	<u>MIXED</u>	Losses for the government budget occurred more often than gains

NOTE: The underlined, full-capitalized perspective is the benefit-cost perspective that is most useful for determining whether the program type achieved its most emphasized benefit-cost goal.

Programs Most Focused on Increasing Participant Income

A major goal of mandatory education-first programs (Chapter 5) and earnings supplement programs (Chapter 7) is to make participants better off. Thus, the participant perspective is particularly pertinent in assessing these programs.

- Education-first programs perform poorly from the participant perspective. For education-first programs, the participant perspective mean and median net value both indicate net losses of more than \$1,000.
- Earnings supplement programs perform very well from the participant perspective. As shown in Table 9.1, both the mean and the median net gain from the participant perspective are above \$5,000 for earnings supplement programs. Because the cost-benefit studies included in this synthesis assume that program benefits continued to exist for only five years, the net gains of program participants would be even larger than those implied by Table 9.1 if — as a result of job experience gained while participants received earnings supplements — the effects on earnings extended beyond five years. Unfortunately, however, these effects diminished over time, reaching zero before or just after the end of the five-year period.¹

Programs Most Focused on Balancing Participant and Government Gains

Some programs, such as mixed-initial-activity (Chapter 6) and time-limit-mix programs (Chapter 8), attempt to balance reducing government costs with increasing the financial well-being of participants. One way to judge these programs is to use both the participant and the government perspective.

- Mixed-initial activity programs were cost-beneficial for participants, but not necessarily from the government budget perspective. From the participant perspective, the mean and the median net value for this program type both show net benefits of around \$1,000 (\$808 and \$1,422, respectively). From the government budget perspective, the mean and median net values are near zero (–\$67 and \$89, respectively). However, two of the eight mixed-initial-activity programs targeted only long-term welfare recipients. When only the remaining six mixed-initial-activity programs are considered, the mean and median net gains from the participant perspective are \$1,188 and \$1,762, respectively, and the mean and median net gains from the government budget

¹For a detailed analysis, see Michalopoulos (2005).

perspective are \$1,421 and \$585, respectively. (These values are not shown in Table 9.2.)

- Time-limit-mix programs had mixed success in achieving their emphasized goal: While all three of these programs resulted in net gains for participants, two produced net losses from the government budget perspective. From the participant perspective, both the mean and the median net value indicate a sizable net gain (\$3,525 and \$1,983, respectively); whereas from the government budget perspective, both the mean and the median net value show a large net loss (−\$4,279 and −\$5,111, respectively).

The discussion above is not intended to suggest that any welfare-to-work programs should be assessed from only one perspective. All three perspectives are germane, but the goals most emphasized by policymakers naturally affect which perspective is given the most weight. As shown in Table 9.2, when looking at each program category only in terms of the most emphasized goal of programs in the category, three of the six program types (job-search-first programs, mixed-initial-activity programs, and earnings supplement programs) achieved their goals; two program types (mandatory work experience programs and time-limit-mix programs) produced more mixed results. Programs in the category of mandatory education-first programs — which emphasized General Educational Development (GED) classes and Adult Basic Education — did not achieve the goal that received the greatest emphasis: that of increasing the income of participants. They were also not very successful in saving the government money.

While the analyses presented in this synthesis suggest that many welfare-to-work programs are successful in either making participants better off financially or controlling government costs, there are often trade-offs between these goals. On the one hand, both earnings supplement programs and time-limit-mix programs appear to be beneficial for participants, but they tend to be costly for the government. These costs must obviously be considered in drawing conclusions about the programs. On the other hand, job-search-first programs tend to be beneficial for the government budget but result either in small benefits or in losses for participants. There are often gains to society as a whole from all three of these program types, however, because the gains to the group that receives benefits exceed the costs to the group that experiences losses. Finally, some programs are fairly consistent in their results from all three perspectives and thus do not necessitate trade-offs among the perspectives. For example, some mixed-initial-activity programs and mandatory unpaid work experience programs are positive from all three perspectives, although the net gains from the participant and the government budget perspectives are very small for the unpaid work experience programs. In contrast, education-first programs, which emphasize GED and Adult Basic Education, are sometimes negative from all three perspectives.

Policy Conclusions

Overall, the benefit-cost findings suggest the following policy conclusions:

- Earnings supplement programs are an efficient mechanism for transferring income to low-income families because participants gain more than a dollar for every dollar the government spends. Most transfer programs, in contrast, cost the government more than a dollar for each dollar increase in the income of recipients.
- Mandatory mixed-initial-activity programs that enroll both short-term and long-term welfare recipients are worthy of consideration by states developing welfare-to-work programs. They can be cost-beneficial for both the government and those required to participate in them.
- Mandatory job-search-first programs are worthy of consideration when governments want to reduce expenditures. They tend to be less expensive than mandatory mixed-initial-activity programs and, thus, to have a more salutary effect on government budgets. However, they are also less successful in increasing the incomes of those required to participate in them.
- Mandatory work experience programs are worthy of consideration as a component of a comprehensive welfare-to-work programs. Implemented for those who, after a period of time, cannot find unsubsidized jobs through job search, these programs are not costly to government and do little harm to participants. Moreover, society as a whole can reap some benefit from the output produced at work experience jobs.
- The sorts of mandatory education-first programs that have been tested experimentally — those that emphasize GED and Adult Basic Education — do not appear to be cost-beneficial. They do little to either increase the incomes of participants or save the government money.
- Because only three time-limit-mix programs are included in this synthesis and they differ considerably from one another, it is difficult to draw firm conclusions about them. Thus, suffice it to note that while all three resulted in substantial net gains from the participant perspective, two also resulted in substantial net losses from the government budget perspective.

The conclusions drawn above must be qualified, however, because they are based entirely on costs and benefits that are naturally expressed in dollars and that could be readily measured. Thus, some welfare-to-work programs that appear cost-beneficial on the basis of

their measured monetary benefits may not have actually had benefits in excess of their costs had their nonmonetary effects also been measured. Similarly, some programs that did not seem cost-beneficial may have produced benefits that exceeded their costs had these other effects been measured.² This underscores the fact that benefit-cost analyses can monetize only some costs and benefits; goals and values must be taken into account in overall assessments of program types.

It is complex trade-offs, such as the ones noted in this chapter, that are informed by the benefit-cost findings contained in this synthesis. As states seek strategies to move more welfare recipients into work and attempt to improve their policies for low-income families, it is hoped that this report will provide policymakers with some evidence-based considerations.

²In a recent article, Greenberg and Cebulla (2008) conclude that the most important of the nonmeasured benefits and costs are likely to be the value of time lost to program participants who increase their hours and so-called displacement effects that result if participants in welfare-to-work programs search harder for jobs or if they work more than they otherwise would, and, as a consequence, workers who compete with them in the labor market are made worse off. Thus, they suggest that the estimated benefits of welfare-to-work programs tend to be overstated relative to the costs of these programs. However, this overstatement of the net values would be mitigated to the extent that program benefits persist for longer than the five years that is observed in the benefit-cost studies included in this synthesis, although there is some evidence that benefits are unlikely to persist past five years in typical welfare-to-work programs (Greenberg, Ashworth, Cebulla, and Walker, 2004).

Box 9.1

Exceptionally Successful and Unsuccessful Programs

Of the 28 programs included in this synthesis, it is obvious from the tables and figures presented throughout that some programs have performed exceptionally well or poorly from the participant or the government budget perspective. It is useful to examine these programs and briefly speculate as to the reasons why they are exceptional. For this purpose, “exceptional” is somewhat arbitrarily defined as programs that resulted in either net gains or net losses of over \$3,000 from either the participant perspective or the government budget perspective or both. Consistent with the other findings reported in this synthesis, determining whether programs exceeded the \$3,000 threshold relies on estimates of costs and benefits over a five-year period that began with random assignment — appropriately discounted to account for the greater value of dollars received or expended earlier in this period than of dollars received or expended later. Note that exceptional programs may be more difficult to replicate.

Thirteen programs qualify. Of these, only two programs qualified from both perspectives. These two programs (MFIP Incentives Only and Connecticut’s Jobs First) both featured generous earnings supplements that resulted in exceptionally large net gains for participants and exceptionally large net losses from the government perspective. Importantly, no program had exceptional net gains from both perspectives (although Riverside GAIN was close, with a net gain in participant income of \$2,651) or exceptional net losses from both perspectives (although Los Angeles GAIN was fairly close, with net losses from the participant perspective of over \$2,000).

There were seven programs that resulted in exceptionally large net losses from the government budget perspective. As mentioned above, two of these programs provided generous earnings supplements. Interestingly, SSP in Canada also provided generous earnings supplements; but while SSP resulted in exceptional net gains for participants, the net losses to the government’s budget were not exceptionally large. This is probably attributable to the SSP program’s limiting the receipt of earnings supplements to individuals who worked at least 30 hours a week. Tulare GAIN had exceptionally large losses because the gains from increased tax revenues and decreased welfare payments were quite small and, therefore, were not able to offset the cost of the program. The remaining four programs (Atlanta HCD NEWWS, Alameda GAIN, Los Angeles GAIN, and Florida FTP) that produced exceptional losses from the government’s perspective had larger operating costs than any of the remaining 23 programs included in the synthesis. Any reductions in transfer payments and increases in tax receipts that resulted from these programs could not come close to offsetting these large operating costs, which ranged from nearly \$7,000 to just over \$10,000 per program participant. In addition, the two GAIN programs limited participation to long-term welfare recipients.

Four programs produced exceptionally large net gains from the government budget perspective. All four of these programs (Portland NEWWS, Grand Rapids LFA NEWWS, Los Angeles Jobs-First GAIN, and Riverside GAIN) put considerable emphasis on job search and considerable pressure on most participants to take jobs as quickly as possible (although programs that do not qualify as “exceptional” followed this practice as well). However, the program that produced the largest net gains for the government budget, Portland NEWWS,

(continued)

Box 9.1 (continued)

encouraged participants to wait for “good” jobs. It also had larger operating costs than the other three programs, probably because it was a mixed-initial-activity program and initially provided training and education to some participants. Interestingly, only one of these four programs, Grand Rapids LFA NEWWS, resulted in substantial net losses for participants.

Except for programs that provided earnings supplements, none of the 28 programs included in the synthesis produced exceptional gains in participant incomes; and only one, Riverside HCD NEWWS, resulted in exceptionally large reductions in participant incomes. It is not entirely clear why these large net losses occurred. However, the program was limited to those deemed in need of basic education. As previously seen, moreover, programs like Riverside HCD NEWWS that emphasize basic education have not been very successful in general.

Programs with Exceptional Results (net gains and/or net losses of over \$3,000 per client over five years)					
Programs	Participant Perspective		Government Perspective		Possible Reason for Exceptional Results
	Net Gains	Net Losses	Net Gains	Net Losses	
SSP Applicants	X				Earnings supplements featured
SSP Recipients	X				
MFIP Financial Incentives Only	X			X	
Jobs First	X			X	
Atlanta HCD NEWWS				X	Large operating costs
Alameda GAIN				X	
Los Angeles GAIN				X	
FTP				X	
Tulare GAIN				X	Small benefits
Portland NEWWS			X		Emphasis on job search
Grand Rapids LFA NEWWS			X		
Los Angeles Jobs-First GAIN			X		
Riverside GAIN			X		
Riverside HCD NEWWS		X			Served individuals more likely to remain on welfare and out of the job market, which might have been reinforced by emphasis on basic education

Appendix A

Descriptions of the Welfare-to-Work Programs, by Type

Appendix A

Program	Activities ^a	Coverage and Mandatoriness ^b	Sample and Site Characteristics ^c
Mandatory Work Experience			
Cook County WIN Demonstration (Chicago)	Independent job search first, followed by an unpaid work experience position if employment was not found while participating in job search.	Mandatory for welfare applicants and recipients with no children under 6 years of age	Began in 1985 Urban labor market 1/3 new recipients and 2/3 ongoing recipients
San Diego	Group job search first, followed by an unpaid work experience position if employment was not found while participating in job search.	Mandatory for welfare applicants with no children under age 6	Began in 1982 Mostly applicants Urban labor market
West Virginia CWEP	Open-ended unpaid work experience	Mandatory for welfare applicants and recipients with no children under 6 years of age	Began in 1983 Rural labor market with very high unemployment Highly disadvantaged population
Mandatory Job-Search-First			
Atlanta LFA NEWWS	Job search (typically job club) was first activity for almost all participants; if no job after job search, short-term ABE and vocational training were most common activities	Mandatory for welfare recipients with no children under age 3	Began in 1992 Mostly long-term recipients 90% African-American Welfare grant: \$280 (1993) Unemployment rate: 6.2%
Grand Rapids LFA NEWWS	Job search (typically job club) was first activity for almost all participants; if no job after job search, most common activity was work experience	Mandatory for welfare recipients with no children under age 1	Began in 1991 Mostly long-term recipients 50% white, 40% African-American Welfare grant: \$474 (1993) Unemployment rate: 5.5%
Los Angeles Jobs-First GAIN	Job club was initial activity for almost everyone Frequent use of financial sanctions (welfare grant reductions)	Mandatory for welfare recipients with no children under age 3	Began in 1996 75% long-term recipients, 25% short-term recipients 45% Hispanic, 30% African-American, 15% white Welfare grant: \$594 (1996) Unemployment rate: 8.2%

(continued)

Appendix A (continued)

Program	Activities ^a	Coverage and Mandatoriness ^b	Sample and Site Characteristics ^c
Mandatory Job-Search-First			
Riverside LFA NEWWS	Job search (typically job club) was first activity for almost all participants; if no job after job search, most common activities were job search and vocational training	Mandatory for welfare recipients with no children under age 3	Began in 1991 Few new applicants 50% white, 35% Hispanic Welfare grant: \$624 (1993) Unemployment rate: 11.7%
SWIM (San Diego)	Two-week job search workshop followed by Employment Work Experience Program (EWEP) and job club; if no job after 13 weeks, education and training assessment	Mandatory for welfare recipients with no children under age 6	Began in 1985 Mix of applicants and recipients 27% non-Hispanic white, 42% non-Hispanic African-American, 26% Hispanic Welfare grant: \$617 (1986) Unemployment rate: 5.3%
Mandatory Education-First			
Atlanta HCD NEWWS	ABE was first activity for most people without a high school diploma or GED; vocational training was most common first activity for others	Mandatory for welfare recipients with no children under age 3	See Atlanta LFA
Columbus Integrated NEWWS	Education and training was first activity for almost all participants Integrated case management: One staff member managed both income maintenance and employment and training	Mandatory for welfare recipients with no children under age 3	Began in 1992 Mostly long-term recipients 50% white, 50% African-American Welfare grant: \$341 (1993) Unemployment rate: 4.6%
Columbus Traditional NEWWS	Education and training was first activity for almost all participants Traditional case management: Different workers managed income maintenance and employment and training	Mandatory for welfare recipients with no children under age 3	See Columbus Integrated
Detroit NEWWS	Long-term education and training encouraged for first half of study period, job search emphasized for second half of study period	Mandatory for welfare recipients with no children under age 1 De facto voluntary	Began in 1992 Mostly long-term recipients Mostly African-American Welfare grant: \$459 (1993) Unemployment rate: 8.0%

(continued)

Appendix A (continued)

Program	Activities ^a	Coverage and Mandatoriness ^b	Sample and Site Characteristics ^c
Mandatory Education-First			
Grand Rapids HCD NEWWS	ABE was first activity for most people without a high school diploma or GED; vocational training or post-secondary education was most common first activity for others	Mandatory for welfare recipients with no children under age 1	See Grand Rapids LFA
Riverside HCD NEWWS	ABE was first activity for most people	Mandatory for welfare recipients with no children under age 3 Enrolled only those in need of basic education	See Riverside LFA
Mandatory Mixed-Initial-Activity			
Alameda GAIN	Those with no high school diploma, lacked basic reading and math skills, or non-English-speaking were encouraged to participate in ABE prior to job search; Job search (initially job club and supervised job search) otherwise; Some training, post-secondary education and unpaid work experience	Mandatory for welfare recipients with no children under age 6 Enrolled only long-term welfare recipients	Began in 1988 Mostly African-American Welfare grant: \$694 (1989) Unemployment rate: 4.4%
Butte GAIN	See Alameda	Mandatory for welfare recipients with no children under 6 Delayed enrolling many participants for several months to keep cases per worker low	Began in 1987 Mostly applicants Mostly white Rural county Welfare grant: \$694 (1989) Unemployment rate: 8.0%
Los Angeles GAIN	See Alameda	Mandatory for welfare recipients with no children under age 6 Enrolled only long-term recipients	Began in 1988 32% Hispanic, 45% African-American Welfare grant: \$694 (1989) Unemployment rate: 4.6%

(continued)

Appendix A (continued)

Program	Activities ^a	Coverage and Mandatoriness ^b	Sample and Site Characteristics ^c
Mandatory Mixed-Initial-Activity			
Portland NEWWS	ABE and training at discretion of case managers for less job-ready; job search for others; encouraged people to look for work until they found full-time jobs that paid more than the minimum wage and provided fringe benefits	Mandatory for welfare recipients with no children under age 1	Began in 1993 Mostly long-term recipients 80% white, 20% African-American Welfare grant: \$460 Unemployment rate: 6.6%
Project Independence (Florida)	Job search (often independent job search) if completed 10 th grade or had recent work experience; education and training otherwise	Mandatory for welfare recipients with no children under age 3	Began in 1990 Statewide program; studied in nine counties Mostly applicants 34% non-Hispanic white; 38% non-Hispanic African-American; 22% Hispanic Welfare grant: \$303 (1995) Unemployment rate: 6.0%-8.0% (depends on county)
Riverside GAIN	See Alameda Strongest employment focus of the six GAIN programs studied; encourage people in need of basic education to look for work instead	Mandatory for welfare recipients with no children under age 6	Began in 1987 Broad welfare history mix 50% white, 16% African-American, 28% Hispanic Unemployment rate: 4.7%
San Diego GAIN	See Alameda	Mandatory for welfare recipients with no children under age 6	Began in 1987 Broad welfare history mix and racial/ethnic mix Welfare grant: \$694 (1989) Unemployment rate: 4.1%
Tulare GAIN	See Alameda	Mandatory for welfare recipients with no children under age 6	Began in 1988 Mostly long-term recipients 50% white, 40% Hispanic Agricultural county Welfare grant: \$694 (1989) Unemployment rate: 10.3%

(continued)

Appendix A (continued)

Program	Activities ^a	Coverage and Mandatoriness ^b	Sample and Site Characteristics ^c
Earnings Supplement			
MFIP Incentives Only	Earning supplement offered through enhanced earnings disregard; if there was earned income, benefits equaled the maximum grant increased by 20 percent, minus net income (Net income excluded 38 percent of gross earnings).	Included welfare recipients with no children under age 1	Began in 1994 Operated in three counties Long –Term Recipients: 53% white, 35% African-American Welfare grant: \$532 (1994) Unemployment rate: 3.9%
SSP (Canada)	Generous earnings supplement equal to one-half the difference between earnings and a target level of earnings for people who left welfare for full-time work; supplement was available for up to three years. Supplements were available to recipients when the program began, but they were unavailable for an initial year for applicants.	Offered to a randomly selected group of people who had been on welfare for one year or more (recipients) and applicants; fewer than 1 percent of those asked refused to join the study	Began in 1992 Operated in New Brunswick and lower mainland of British Columbia Recipients: 10% First Nations ancestry, 13% foreign-born Applicants: 8% First Nations ancestry, 29% foreign-born Welfare grant: \$Can 1,131 in British Columbia and \$Can 747 in New Brunswick (1992) Unemployment rate: 10.5% (British Columbia), 12.8% (New Brunswick)
WRP Incentives Only	Modest work supports offered in the form of enhanced earnings disregard and larger child care and health insurance subsidies for those who left welfare for work	All welfare recipients randomly assigned	Began in 1994 Statewide program; studied in six welfare districts Nearly 100% white Welfare grant: \$640 (1997) Unemployment rate: 4.7%

(continued)

Appendix A (continued)

Program	Activities ^a	Coverage and Mandatoriness ^b	Sample and Site Characteristics ^c
Time-Limit-Mix			
FTP (Florida)	<p>Job search for those with higher levels of education, basic skills, and work experience; education and training for most others</p> <p>Earnings supplement offered through enhanced earnings disregard; first \$200 of earnings disregarded, but welfare benefits reduced by 50 cents for each additional dollar of earnings</p> <p>Time limit on welfare receipt of 24 or 36 months, depending on job readiness</p>	<p>Mandatory for welfare recipients with no children under 6 months old</p>	<p>Began in 1994</p> <p>Operated in Escambia County (Pensacola)</p> <p>50% applicants; 50% recipients</p> <p>50% white, 50% African-American</p> <p>Welfare grant: \$303 (1995)</p> <p>Unemployment rate: 4.7%</p>
Jobs First (Connecticut)	<p>Job search was first activity for most participants</p> <p>Earnings supplement offered through enhanced earnings disregard; earnings below federal poverty level disregarded, but entire welfare benefit eliminated if earnings exceeded federal poverty level</p> <p>Time limit on welfare receipt of 21 months, although many exemptions and extensions granted</p>	<p>Mandatory for most welfare recipients</p> <p>Exemptions for those least likely to be able to work</p>	<p>Began in 1996</p> <p>Statewide program evaluated in New Haven and Manchester</p> <p>40% applicants</p> <p>40% white, 40% African American</p> <p>Welfare grant: \$543 (1998)</p> <p>Unemployment rate: 5.7%</p>
WRP	<p>Recipients required to work after 30 months of welfare receipt</p> <p>Modest work supports offered in the form of enhanced earnings disregard and larger child care and health insurance subsidies for those who left welfare for work</p>	<p>All welfare recipients randomly assigned</p> <p>Recipients with children under 18 months exempt from the work requirement</p>	<p>Began in 1994</p> <p>Statewide program; studied in six welfare districts</p> <p>Nearly 100% white</p> <p>Welfare grant: \$640 (1997)</p> <p>Unemployment rate: 4.7%</p>

(continued)

Appendix A (continued)

NOTES:

^aABE, which stands for “adult basic education,” includes remedial instruction in reading and math, General Educational Development (GED) exam preparation, and English as a Second Language (ESL) classes.

^bIn most studies of mandatory programs, people who were not required to participate in the programs were not included in the studies. The information presented in this column is not a complete listing of all client categories that were exempt from the mandates.

^cThe information in this column generally refers to the study, not the program. For example, the start date refers to the year in which random assignment for the evaluation began. The data on the proportion of welfare applicants/recipients and the ethnic breakdown refers to the research sample for the evaluation, not the general welfare caseload. The unemployment rate presented is for the year in which random assignment began. The welfare grant amounts shown are for a family of three.

Appendix B

**Supplementary Tables:
Selected Characteristics of Sample Members
and Detailed Benefit-Cost Analyses**

Welfare-to-Work Program Benefits and Costs

Appendix Table B.1

Selected Characteristics of Sample Members^a

	High School Diploma/GED or Higher (%) ^b	Total Prior AFDC/TANF Receipt ^c (%)			Employed in Prior Year (%)	Currently Employed (%) ^e
		None	Less Than Two Years ^d	Two Years or More ^d		
<u>Mandatory Work Experience Programs</u>						
Cook County WIN Demonstration (n = 11,912)	NA	NA	NA	NA	31.1	NA
San Diego (n = 3,591)	60.9	33.7	38.9	27.4	51.5	NA
West Virginia CWEP (n = 3,694)	46.0	13.9	31.9	54.2	17.9	NA
<u>Mandatory Job-Search-First Programs</u>						
Atlanta LFA NEWWS (n = 4,433)	59.7	0.3	29.0	70.7	23.6	6.9
Grand Rapids LFA NEWWS (n = 4,554)	59.0	0.1	40.7	59.2	46.0	11.4
Los Angeles Jobs-First GAIN (n = 15,683)	45.7	3.6	23.6	72.8	27.1	9.5
Riverside LFA NEWWS (n = 8,322)	56.2	1.0	45.1	53.8	40.7	11.2
SWIM (San Diego) (n = 3,227)	55.8	11.4	13.7	74.7	39.4	NA
(continued)						

(continued)

Appendix Table B.1 (continued)

	High School Diploma/GED or Higher (%) ^b	Total Prior AFDC/TANF Receipt ^c (%)			Employed in Prior Year (%)		Currently Employed (%) ^e
		None	Less Than Two Years ^d	Two Years or More ^d			
<u>Mandatory Education-First Programs</u>							
Atlanta HCD NEWWS (n = 4,433)	59.7	0.3	29.0	70.7	23.6	6.9	
Columbus Integrated NEWWS (n = 7,242)	57.4	10.0	17.3	72.7	28.2	4.0	
Columbus Traditional NEWWS (n = 7,242)	57.4	10.0	17.3	72.7	28.2	4.0	
Detroit NEWWS (n = 4,459)	56.5	2.8	22.8	74.4	21.1	6.8	
Grand Rapids HCD NEWWS (n = 4,554)	59.0	0.1	40.7	59.2	46.0	11.4	
Riverside HCD NEWWS (n = 3,135)	22.6	1.1	39.8	59.1	34.0	7.4	
<u>Mandatory Mixed-Initial-Activity Programs</u>							
Alameda GAIN (n = 1,205)	58.7	0.0	0.0	100	NA	6.1	
Butte GAIN (n = 1,234)	56.2	60.3	11.5	28.2	NA	8.0	
Los Angeles GAIN (n = 4,434)	34.6	0.0	0.0	100	NA	5.7	
Portland NEWWS (n = 4,028)	67.3	1.2	37.5	61.4	39.3	9.6	
Project Independence (Florida) (n = 18,237)	55.5	42.1	30.6	27.3	61.1	NA	
Riverside GAIN (n = 5,626)	51.4	31.0	29.8	39.2	NA	5.4	
San Diego GAIN (n = 8,224)	56.0	28.0	30.8	41.2	NA	10.9	
Tulare GAIN (n = 2,248)	43.7	13.9	28.2	57.9	NA	8.2	
(continued)							

(continued)

Appendix Table B.1 (continued)

	High School Diploma/GED or Higher (%) ^b	Total Prior AFDC/TANF Receipt ^c (%)			Employed in Prior Year (%)	Currently Employed (%) ^e
		None	Less Than Two Years ^d	Two Years or More ^d		
<u>Earnings Supplement Programs</u>						
MFIP (Minnesota) (n = 3,208) ^f	67.5	1.3	5.2	93.6	32.1	13.9
SSP Applicants (Canada) (n = 2,371) ^g	62.0	NA	NA	NA	NA	NA
SSP Long-Term Recipients (Canada) (n = 4,852) ^h	47.3	0.0	22.4	77.6	NA	19.2
WRP (Vermont) (n = 5,469)	73.1	NA	NA	NA	NA	22.7
<u>Time-Limit-Mix Programs</u>						
FTP (Florida) (n = 2,738)	60.7	12.2	35.0	52.9	46.1	NA
Jobs First (Connecticut) (n = 4,642)	65.9	18.5	23.3	58.2	47.9	22.8
WRP (Vermont) (n = 5,469)	73.1	NA	NA	NA	NA	22.7
(continued)						

(continued)

Appendix Table B.1 (continued)

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Where data are not available, "NA" is used.

Distributions may not sum to 100 percent due to rounding.

Invalid or missing values are not included in individual variable distributions.

^aSample characteristics are presented for the full group: the control group plus the program group. For programs with three-way random assignment, all three groups are included; however, for Riverside HCD NEWS, only the HCD group is shown because the eligibility criteria to be included in the study were different for Riverside HCD and Riverside LFA.

^bThe GED credential is given to those who pass the GED test and is intended to signify knowledge of high school subjects. SSP Long-Term Recipients and SSP Applicants "High school diploma/GED or higher" does not include GED.

^cThis refers to the total number of months accumulated from one or more periods on an individual's own or a spouse's welfare case. It does not include welfare receipt under a parent's name. The welfare receipt may not have been continuous. SSP Long-Term Recipients and SSP Applicants "Total prior AFDC/TANF receipt" measures the prior income assistance receipt.

^dGAIN, West Virginia CWEP, and San Diego include welfare receipt of two years in "Less than two years."

^eGAIN "Currently employed" is for those currently employed up to 29 hours.

^fIncludes rural and urban sample members.

^gLimited to 72-month survey respondents.

^hLimited to 54-month survey respondents.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.2

Mandatory Work Experience Programs: Five-Year Estimated Net Value per Program Group Member, Participant Perspective (in 2006 dollars)

Component	Cook County WIN Demonstration	San Diego	West Virginia CWEP
<u>Financial effects</u>			
Earnings	314	1,409	-169
Fringe benefits ^a	57		-31
Tax payments	-90	-275	-6
Welfare payments	358	-581	-165
Food stamps	47	-223	14
Medicaid			
Other	22	-20	194
Net gain or net loss (net value)	707	310	-163
Return to participants per net dollar invested by the government (ROI) ^b	12.40	2.22	-0.32

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThese include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

^bThe return to participants per net dollar invested is computed by dividing the net benefits to the participant by the operating costs of the program (represents government investment).

The food stamps and Medicaid estimates for San Diego include UI compensation and General Relief payments.

The support services estimate was not regression-adjusted for the Cook County WIN Demonstration.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.3

Mandatory Work Experience Programs: Five-Year Estimated Net Value per Program Group Member, Government Perspective (in 2006 dollars)

Component	Cook County WIN Demonstration	San Diego	West Virginia CWEP
<u>Financial effects</u>			
Tax payments	111	275	6
Welfare payments	-358	581	165
Food stamps	-47	223	-14
Medicaid			
Transfer administration	-15	63	19
Operating costs ^a	-57	-140	-505
Other	0	0	0
Net gain or net loss (net value)	-365	1,002	-328
Return to budget per net dollar invested (ROI) ^b	-5.40	8.17	0.35

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aOperating costs include the net cost of program and nonprogram activities (including support services).

^bThe return to budget per net dollar invested is computed by dividing the sum of effects of transfer payments, transfer administration, and other effects by operating costs.

The food stamps and Medicaid estimates for San Diego include UI compensation and General Relief payments.

The support services estimate was not regression-adjusted for the Cook County WIN Demonstration.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.4

Mandatory Work Experience Programs: Five-Year Estimated Net Value per Program Group Member, Social Perspective (in 2006 dollars)

Component	Cook County WIN Demonstration	San Diego	West Virginia CWEP
<u>Financial effects</u>			
Earnings	314		-169
Fringe benefits	57	1,409	-31
Tax payments	<u>0</u>	0	0
Welfare payments	0	0	0
Food stamps	0	0	0
Medicaid	0	0	0
Transfer administration	-15	63	19
Operating costs	-57	-140	-505
Output from work experience	<u>182</u>	<u>409</u>	<u>1,752</u>
Other	22	-20	194
Net gain or net loss (net value)	503	1,720	1,261
Return to society per net dollar invested by the government (ROI) ^a	9.82	13.32	3.50

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: The underlined numbers indicate that the taxpayer perspective is different than the government perspective.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThe return to society per net dollar invested is computed by dividing all effects from the social perspective (excluding operating costs) by operating costs (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.5

Mandatory Job-Search-First Programs: Five-Year Estimated Net Value per Program Group Member, Participant Perspective (in 2006 dollars)

Component	Atlanta LFA NEWWS	Grand Rapids LFA NEWWS	Los Angeles Jobs-First GAIN	Riverside LFA NEWWS	SWIM (San Diego)
Financial effects					
Earnings	3,116	2,031	4,292	3,264	3,311
Fringe benefits ^a	465	321	635	447	397
Tax payments	-345	220	322	115	-175
Welfare payments	-1,112	-3,281	-2,664	-3,471	-3,060
Food stamps ^b	-525	-778	-917	-1,123	-372
Medicaid ^b	-1,403	-1,242	-773	-617	132
Other ^c	0	0	-58	0	
Net gain or net loss (net value)	196	-2,729	837	-1,386	234
Return to participants per net dollar invested by the government (ROI) ^d	0.04	-1.13	0.49	-0.34	0.14

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThese include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

^bThe SWIM transfer payments in the food stamps and Medicaid rows include unemployment insurance benefits.

^c"Other" may include support services, allowances, and out-of-pocket child care payments.

^dThe return to participants per net dollar invested is computed by dividing the net benefits to the participant by the operating costs of the program (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.6

Mandatory Job-Search-First Programs: Five-Year Estimated Net Value per Program Group Member, Government Perspective (in 2006 dollars)

Component	Atlanta LFA NEWWS	Rapids LFA NEWWS	Grand LFA NEWWS	Los Angeles Jobs-First GAIN	Riverside LFA NEWWS	SWIM (San Diego)
Financial effects						
Tax payments ^a	555	-82		6	105	458
Welfare payments	1,112	3,281		2,664	3,471	3,060
Food stamps ^b	525	778		917	1,123	372
Medicaid ^b	1,403	1,242		773	617	
Transfer administration	282	707		405	571	68
Operating costs ^c	-4,809	-2,405		-1,721	-4,018	-1,692
Other	0	0		0	0	0
Net gain or net loss (net value)	-932	3,521		3,044	1,870	2,266
Return to budget per net dollar invested (ROI) ^d	0.81	2.46		2.77	1.47	2.34

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aTax payments include employer- and employee-paid Social Security and Medicare taxes, income taxes, and sales taxes.

^bThe SWIM transfer payments in the food stamps and Medicaid rows include unemployment insurance benefits.

^cOperating costs include the net cost of program and nonprogram activities (including support services).

^dThe return to budget per net dollar invested is computed by dividing the sum of effects of transfer payments, transfer administration, and other effects by operating costs.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.7

Mandatory Job-Search-First Programs: Five-Year Estimated Net Value per Program Group Member, Social Perspective (in 2006 dollars)

Component	Atlanta LFA NEW/S	Grand Rapid LFA NEW/S	Los Angeles Jobs-First GAIN	Riverside LFA NEW/S	SWIM (San Diego)
Financial effects					
Earnings	3,116	2,031	4,292	3,264	3,311
Fringe benefits	465	321	635	447	397
Tax payments	0	0	0	0	0
Welfare payments	0	0	0	0	0
Food stamps ^a	0	0	0	0	0
Medicaid ^a	0	0	0	0	0
Transfer administration	282	707	405	571	68
Operating costs	-4,809	-2,405	-1,721	-4,018	-1,692
Output from work experience	0	0	0	0	333
Other	0	0	-58	0	132
Net gain or net loss (net value)	-946	654	3,552	264	2,549
Return to society per net dollar invested by the government (ROI) ^b	0.80	1.27	3.06	1.07	2.51

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: The underlined numbers indicate that the taxpayer perspective is different than the government perspective.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThe SWIM transfer payments in the food stamps and Medicaid rows include unemployment insurance benefits.

^bThe return to society per net dollar invested is computed by dividing all effects from the social perspective (excluding operating costs) by operating costs (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.8

Mandatory Education-First Programs: Five-Year Estimated Net Value per Program Group Member, Participant Perspective (in 2006 dollars)

Component	Atlanta HCD NEWWS	Columbus Integrated NEWWS	Columbus Traditional NEWWS	Detroit NEWWS	Riverside HCD NEWWS	
					Rapids HCD NEWWS	No High School Diploma or GED
Financial effects						
Earnings	2,528	2,525	1,762	1,803	1,096	1,692
Fringe benefits ^a	376	399	278	284	173	232
Tax payments	-358	-215	-81	-293	29	392
Welfare payments	-904	-1,906	-1,389	-691	-2,251	-3,701
Food stamps	-194	-1,273	-814	-413	-479	-1,259
Medicaid	-880	-1,334	-1,059	-374	-938	-928
Other	0	0	0	0	0	0
Net gain or net loss (net value)	569	-1,804	-1,303	317	-2,370	-3,571
Return to participants per net dollar invested by the government (ROI) ^b	0.09	-0.36	-0.29	0.13	-0.52	-0.65

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

Riverside HCD NEWWS is not comparable to the other programs because of eligibility restrictions that limited the program sample to those who did not have a high school diploma or GED or had low reading and math test scores.

^aThese include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

^bThe return to participants per net dollar invested is computed by dividing the net benefits to the participant by the operating costs of the program (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.9

Mandatory Education-First Programs: Five-Year Estimated Net Value per Program Group Member, Government Perspective (in 2006 dollars)

Component	Atlanta HCD NEWWS	Columbus Integrated NEWWS	Columbus Traditional NEWWS	Detroit NEWWS	Rapids HCD NEWWS	Grand NEWWS	Riverside HCD NEWWS
Financial effects							
Tax payments ^a	529	386	201	414	44	44	-277
Welfare payments	904	1,906	1,389	691	2,251	2,251	3,701
Food stamps	194	1,273	814	413	479	479	1,259
Medicaid	880	1,334	1,059	374	938	938	928
Transfer administration	183	459	321	192	480	480	657
Operating costs ^b	-6,632	-5,062	-4,565	-2,485	-4,566	-4,566	-5,533
Other	0	0	0	0	0	0	0
Net gain or net loss (net value)	-3,943	295	-781	-401	-374	-374	735
Return to budget per net dollar invested (ROI) ^c	0.41	1.06	0.83	0.84	0.92	0.92	1.13

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

Riverside HCD NEWWS is not comparable to the other programs because of eligibility restrictions that limited the program sample to those who did not have a high school diploma or GED or had low reading and math test scores.

^aTax payments include employer- and employee-paid Social Security and Medicare taxes, income taxes, and sales taxes.

^bOperating costs include the net cost of program and nonprogram activities (including support services).

^cThe return to budget per net dollar invested is computed by dividing the sum of effects of transfer payments, transfer administration, and other effects by operating costs.

Welfare-to-Work Program Benefits and Costs
Appendix Table B.10
Mandatory Education-First Programs:
Five-Year Estimated Net Value per Program Group Member,
Social Perspective (in 2006 dollars)

Component	Atlanta HCD NEWWS	Columbus Integrated NEWWS	Columbus Traditional NEWWS	Detroit NEWWS	Rapids HCD NEWWS	Grand NEWWS	Riverside HCD NEWWS
Financial effects							
Earnings	2,528	2,525	1,762	1,803	1,096	1,096	1,692
Fringe benefits	376	399	278	284	173	173	232
Tax payments	0	0	0	0	0	0	0
Welfare payments	0	0	0	0	0	0	0
Food stamps	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Transfer administration	183	459	321	192	480	480	657
Operating costs	-6,632	-5,062	-4,565	-2,485	-4,566	-4,566	-5,533
Output from work experience	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Net gain or net loss (net value)	-3,545	-1,680	-2,204	-205	-2,816	-2,816	-2,952
Return to society per net dollar invested by the government (ROI) ^a	0.47	0.67	0.52	0.92	0.38	0.38	0.47

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: The underlined numbers indicate that the taxpayer perspective is different than the government perspective.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

Riverside HCD NEWWS is not comparable to the other programs because of eligibility restrictions that limited the program sample to those who did not have a high school diploma or GED or had low reading and math test scores.

^aThe return to society per net dollar invested is computed by dividing all effects from the social perspective (excluding operating costs) by operating costs (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.11

Mandatory Mixed-Initial-Activity Programs: Five-Year Estimated Net Value per Program Group Member, Participant Perspective (in 2006 dollars)

Component	Applicants and Reapplicants				Long-Term Welfare Recipients		
	Butte GAIN	Portland NEWS	Riverside GAIN	San Diego GAIN	Tulare GAIN	Project Independence (Florida)	Los Angeles GAIN
Financial effects							
Earnings	4,979	6,258	6,989	3,941	2,319	837	668
Fringe benefits ^a	737	857	1,034	583	343	124	99
Tax payments ^b	-744	-322	-497	-423	-197	-29	61
Welfare payments	-2,243	-3,368	-3,891	-2,160	-322	-589	-2,026
Food stamps	-268	-1,026	-420	-260	138	-292	-588
Medicaid	-268	-3,144	-687	-449	15	-600	-416
Other ^c	17	0	123	91	-96	33	22
Net gain or net loss (net value)	2,210	-745	2,651	1,323	2,201	-515	-2,178
Return to participants per net dollar invested by the government (ROI) ^d	0.55	-0.22	1.19	0.50	0.58	-0.32	-0.27

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThese include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments.

^bFlorida does not have a state income tax.

^c"Other" includes unemployment insurance compensation.

^dThe return to participants per net dollar invested is computed by dividing the net benefits to the participant by the operating costs of the program (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.12

Mandatory Mixed-Initial-Activity Programs: Five-Year Estimated Net Value per Program Group Member, Government Perspective (in 2006 dollars)

Component	Applicants and Reapplicants					Long-Term Welfare Recipients		
	Butte GAIN	Portland NEWS	Riverside GAIN	San Diego GAIN	Tulare GAIN	Project Independence (Florida)	Alameda GAIN	Los Angeles GAIN
Financial effects								
Tax payments ^{ab}	1,125	744	1,031	720	378	93	811	-10
Welfare payments	2,243	3,368	3,891	2,160	322	589	2,023	2,026
Food stamps	268	1,026	420	260	-138	292	-78	588
Medicaid	268	3,144	687	449	-15	600	652	416
Transfer administration	243	1,521	419	239	18	165	198	278
Operating costs ^c	-4,053	-3,467	-2,229	-2,668	-3,815	-1,605	-7,811	-8,079
Other	-17	0	-123	-91	96	-33	-56	-22
Net gain or net loss (net value)	77	6,337	4,096	1,069	-3,154	100	-4,260	-4,803
Return to budget per net dollar invested (ROI) ^d	1.02	2.83	2.84	1.40	0.17	1.06	0.45	0.41

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aTax payments include employer- and employee-paid Social Security and Medicare taxes, income taxes, and sales taxes.

^bFlorida does not have a state income tax.

^cOperating costs include the net cost of program and nonprogram activities (including support services).

^dThe return to budget per net dollar invested is computed by dividing the sum of effects of transfer payments, transfer administration, and other effects by operating costs.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.13

Mandatory Mixed-Initial-Activity Programs: Five-Year Estimated Net Value per Program Group Member, Social Perspective (in 2006 dollars)

Component	Applicants and Reapplicants					Long-Term Welfare Recipients		
	Butte GAIN	Portland NEWWS	Riverside GAIN	San Diego GAIN	Tulare GAIN	Project Independence (Florida)	Alameda GAIN	Los Angeles GAIN
Financial effects								
Earnings	4,979	6,258	6,989	3,941	2,319	837	3,981	668
Fringe benefits	737	857	1,034	583	343	124	589	99
Tax payments	0	0	0	0	0	0	0	0
Welfare payments	0	0	0	0	0	0	0	0
Food stamps	0	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0	0
Transfer administration	243	1,521	419	239	18	165	198	278
Operating costs	-4,053	-3,467	-2,229	-2,668	-3,815	-1,605	-7,811	-8,079
Output from work experience	120	0	8	208	-8	0	107	-8
Other	0	0	0	0	0	0	0	0
Net gain or net loss (net value)	2,026	5,169	6,221	2,303	-1,143	-479	-2,935	-7,042
Return to society per net dollar invested by the government (ROI) ^a	1.50	2.49	3.79	1.86	0.70	0.70	0.62	0.13

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: The underlined numbers indicate that the taxpayer perspective is different than the government perspective.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThe return to society per net dollar invested is computed by dividing all effects from the social perspective (excluding operating costs) by operating costs (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.14

Earnings Supplement Programs: Five-Year Estimated Net Value per Program Group Member, Participant Perspective (in 2006 dollars)

Component	MFIP Financial Incentives Only (Minnesota)	SSP Applicants (Canada) ^a	SSP Recipients (Canada) ^a	WRP Financial Incentives Only (Vermont)
<u>Financial effects</u>				
Earnings				
Fringe benefits ^b	46	7,493	3,600	-87
Tax payments ^c	1,050	-2,774	-1,867	-131
Welfare payments ^d	6,332	1,870	2,786	246
Food stamps ^d		NA	NA	
Medicaid ^{de}	2,626	NA	NA	203
Other ^f	86	0	95	8
Net gain or net loss (net value)	10,141	6,589	4,614	239
Return to participants per net dollar invested by the government (ROI) ^{gh}	NA	4.71	3.72	NA

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aSSP Applicants estimates are for a six-year time horizon. SSP benefit-cost numbers were adjusted to U.S. dollars with the assumption that the values of the U.S. dollar is 75 cents to every one Canadian dollar.

^bThese include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments. WRP includes unemployment insurance compensation. The SSP programs include the employer contribution to Employment Insurance and the Canada Pension Plan (CPP) premiums.

^cMFIP includes the Minnesota Working Family Credit. The SSP programs include the employee portion of the Canada Pension Plan premiums as a cost to the program group for simplicity. However, these costs would likely be more than offset by future pension payments.

^dThe SSP programs include Income Assistance, Employment Insurance, and the SSP supplement as transfer payments. SSP does not have estimates of food stamps and Medicaid. SSP is a Canadian program and does not have equivalent transfer programs.

^eWRP includes Medicaid, transitional Medicaid, Dr. Dynasaur, and Vermont Health Assistance Program.

^f"Other" may include support service payments and compensation for community service jobs.

^gThe return to participants per net dollar invested is computed by dividing the net benefits to the participant by the operating costs of the program (represents government investment).

^hThe MFIP and WRP programs resulted in a savings in operating costs. As a result, the ROI calculations could not be easily interpreted and are therefore not presented in this table.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.15

Earnings Supplement Programs: Five-Year Estimated Net Value per Program Group Member, Government Perspective (in 2006 dollars)

Component	MFIP	SSP	SSP	WRP
	Financial Incentives Only (Minnesota)	Applicants (Canada) ^a	Recipients (Canada) ^a	Financial Incentives Only (Vermont)
<u>Financial effects</u>				
Tax payments ^{bc}	-1,053	2,774	1,867	129
Welfare payments ^d	-6,332	-1,870	-2,786	-246
Food stamps ^d		NA	NA	
Medicaid ^{de}	-2,626	NA	NA	-203
Transfer administration	-1,288	-86	-204	-197
Operating costs ^{fg}	341	-1,398	-1,240	284
Other ^h	0	0	0	4
Net gain or net loss (net value)	-10,958	-580	-2,363	-228
Return to budget per net dollar invested (ROI) ^{ij}	NA	0.58	-0.91	NA

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aSSP Applicants estimates are for a six-year time horizon. SSP benefit-cost numbers were adjusted to U.S. dollars with the assumption that the values of the U.S. dollar is 75 cents to every one Canadian dollar.

^bTax payments include employer- and employee-paid Social Security and Medicare taxes, income taxes, and sales taxes.

^cMFIP includes the Minnesota Working Family Credit. The SSP programs include the employee portion of Employment Insurance and the Canada Pension Plan premiums as a cost to the program group for simplicity. However, these costs would likely be more than offset by future pension payments. The employer contribution to these premiums is included as part of fringe benefits of employment.

^dThe SSP programs include Income Assistance, Employment Insurance, and the SSP supplement as transfer payments. SSP does not have estimates of food stamps and Medicaid. SSP is a Canadian program and does not have equivalent transfer programs.

^eWRP includes Medicaid, transitional Medicaid, Dr. Dynasaur, and Vermont Health Assistance Program.

^fOperating costs include the net cost of program and nonprogram activities (including support services).

^gSSP operating and Program Management Information System (PMIS) costs are not discounted.

^h"Other" includes compensation for community service jobs.

ⁱThe return to budget per net dollar invested is computed by dividing the sum of effects of transfer payments, transfer administration, and other effects by operating costs.

^jThe MFIP and WRP programs resulted in a savings in operating costs. As a result, the ROI calculations could not be easily interpreted and are therefore not presented in this table.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.16

Earnings Supplement Programs: Five-Year Estimated Net Value per Program Group Member, Social Perspective (in 2006 dollars)

Component	MFIP Financial Incentives Only (Minnesota)	SSP Applicants (Canada) ^a	SSP Recipients (Canada) ^a	WRP Financial Incentives Only (Vermont)
<u>Financial effects</u>				
Earnings	46	7,493	3,600	-87
Fringe benefits				
Tax payments	<u>0</u>	0	0	<u>0</u>
Welfare payments	0	0	0	0
Food stamps ^b	0	NA	NA	0
Medicaid ^b	0	NA	NA	0
Transfer administration	-1,288	-86	-204	-197
Operating costs	341	-1,398	-1,240	284
Output from work experience	0	0	0	0
Other	86	0	95	12
Net gain or net loss (net value)	-815	6,009	2,251	13
Return to society per net dollar invested by the government (ROI) ^c	NA	5.30	2.82	NA

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: The underlined numbers indicate that the taxpayer perspective is different than the government perspective.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aSSP Applicants estimates are for a six-year time horizon. SSP benefit-cost numbers were adjusted to U.S. dollars with the assumption that the values of the U.S. dollar is 75 cents to every one Canadian dollar.

^bSSP does not have estimates of food stamps and Medicaid. SSP is a Canadian program and does not have equivalent transfer programs

^cThe MFIP and WRP programs resulted in a savings in operating costs. As a result, the ROI calculations could not be easily interpreted and are therefore not presented in this table.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.17

Time-Limit-Mix Programs: Five-Year Estimated Net Value per Program Group Member, Participant Perspective (in 2006 dollars)

Component	FTP (Florida)	Jobs First (Connecticut)	Full WRP (Vermont)
<u>Financial effects</u>			
Earnings	2,998	2,561	2,859
Fringe benefits ^a	447	350	
Tax payments ^b	-10	660	383
Welfare payments	-1,045	-12	
Food stamps	-699	349	-1,468
Medicaid ^c	0	1,455	-618
Other ^d	292	1,478	598
Net gain or net loss (net value)	1,983	6,839	1,754
Return to participants per net dollar invested by the government (ROI) ^e	0.19	2.51	1.12

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThese include employer-paid health and life insurance, pension contributions, and worker's compensation. Paid leave is captured directly by the earnings estimate. Employee-paid Social Security and Medicare taxes are included as tax payments. WRP includes unemployment insurance compensation.

^bFlorida does not have a state income tax.

^cWRP includes Medicaid, transitional Medicaid, Dr. Dynasaur, and Vermont Health Assistance Program.

^dMay include unemployment insurance compensation, support services, and compensation from community service jobs.

^eThe return to participants per net dollar invested is computed by dividing the net benefits to the participant by the operating costs of the program (represents government investment).

Welfare-to-Work Program Benefits and Costs

Appendix Table B.18

Time-Limit-Mix Programs: Five-Year Estimated Net Value per Program Group Member, Government Perspective (in 2006 dollars)

Component	FTP (Florida)	Jobs First (Connecticut)	Full WRP (Vermont)
<u>Financial effects</u>			
Tax payments ^{ab}	239	-443	-206
Welfare payments	1,045	12	1,468
Food stamps	699	-349	
Medicaid ^c	0	-1,455	618
Transfer administration	111	-151	167
Operating costs ^d	-10,175	-2,725	-1,568
Other ^e	-46	0	-78
Net gain or net loss (net value)	-8,128	-5,111	402
Return to budget per net dollar invested (ROI) ^f	0.20	-0.88	1.26

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aTax payments include employer- and employee-paid Social Security and Medicare taxes, income taxes, and sales taxes.

^bFlorida does not have a state income tax.

^cWRP includes Medicaid, transitional Medicaid, Dr. Dynasaur, and Vermont Health Assistance Program.

^dOperating costs include the net cost of program and nonprogram activities (including support services).

^e"Other" may include unemployment insurance compensation and compensation from community service jobs.

^fThe return to budget per net dollar invested is computed by dividing the sum of effects of transfer payments, transfer administration, and other effects by operating costs.

Welfare-to-Work Program Benefits and Costs

Appendix Table B.19

Time-Limit-Mix Programs: Five-Year Estimated Net Value per Program Group Member, Social Perspective (in 2006 dollars)

Component	FTP (Florida)	Jobs First (Connecticut)	Full WRP (Vermont)
<u>Financial effects</u>			
Earnings	2,998	2,561	2,859
Fringe benefits	447	350	
Tax payments	<u>0</u>	<u>0</u>	<u>0</u>
Welfare payments	0	0	0
Food stamps	0	0	0
Medicaid	0	0	0
Transfer administration	111	-151	167
Operating costs	-10,175	-2,725	-1,568
Output from work experience	0	0	0
Other	245	1,478	520
Net gain or net loss (net value)	-6,374	1,512	1,978
Return to society per net dollar invested by the government (ROI) ^a	0.37	1.55	2.26

SOURCES: Published reports from the program evaluations. See References and Bibliography.

NOTES: The underlined numbers indicate that the taxpayer perspective is different than the government perspective.

Estimates reflect discounting and adjustment for inflation.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Tests of statistical significance were not performed.

^aThe return to society per net dollar invested is computed by dividing all effects from the social perspective (excluding operating costs) by operating costs (represents government investment).

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About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Child Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.